

# **PRINCE ALBERT**

## **MUNICIPALITY**



### **AUDITED**

### **ANNUAL FINANCIAL STATEMENTS**

**30 JUNE 2015**

# PRINCE ALBERT LOCAL MUNICIPALITY

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# PRINCE ALBERT LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### GENERAL INFORMATION

#### NATURE OF MUNICIPALITY'S OPERATIONS AND PRINCIPAL ACTIVITIES

Prince Albert Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### DOMICILE AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Prince Albert Municipality includes the following areas:

*Prince Albert  
Klaarstroom  
Leeu Gamka*

#### MUNICIPAL MANAGER

*Mr. H Mettler*

#### CHIEF FINANCIAL OFFICER

*Mr. J Neethling*

#### REGISTERED OFFICE

*Private Bag X53  
PRINCE ALBERT  
6730*

#### AUDITORS

*Office of the Auditor General (WC)*

#### PRINCIPLE BANKERS

*ABSA, Prince Albert*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

#### AUDIT COMMITTEE MEMBERS

A.B.J. Dippenaar  
P.J. Theron  
J.C. van Wyk

# PRINCE ALBERT LOCAL MUNICIPALITY

## MEMBERS OF THE PRINCE ALBERT LOCAL MUNICIPALITY

### COUNCILLORS

Ward	G. Lottering
Ward	N.D. Jaftha
Ward	N.S. Abrahams
Ward	I.J. Windvogel
Proportional	L. Jaquet
Proportional	S. Botes
Proportional	C. Stols

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2015, which are set out on pages 1 to 89 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



*Mr. H Mettler*  
**Municipal Manager**

24-Nov-15

**Date**

**PRINCE ALBERT LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Notes	2015 R	Restated 2014 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>92 934 741</b>	<b>79 851 298</b>
Accumulated Surplus/(Deficit)		92 934 741	79 851 298
<b>Non-Current Liabilities</b>		<b>12 564 205</b>	<b>6 938 094</b>
Long-term Liabilities	2	13 959	38 698
Long-term Employee benefits	3	4 680 403	4 796 330
Non-Current Provisions	4	7 869 843	2 103 066
<b>Current Liabilities</b>		<b>12 446 318</b>	<b>17 954 998</b>
Consumer deposits	5	394 704	374 401
Current employee benefits	6	1 844 155	1 618 187
Trade and other payables	7	3 133 131	11 402 929
Unspent Conditional Government Grants and Receipts	8	7 013 344	4 504 570
Current Portion of Long-term Liabilities	2	60 984	54 911
<b>Total Net Assets and Liabilities</b>		<b>117 945 264</b>	<b>104 744 390</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>101 782 559</b>	<b>89 745 492</b>
Property, Plant and Equipment	10	86 441 698	75 661 750
Investment Property	12	13 856 642	13 858 446
Intangible Assets	13	48 578	68 474
Capitalised Restoration Costs	11	1 435 641	156 822
<b>Current Assets</b>		<b>16 162 710</b>	<b>14 998 898</b>
Inventory	14	707 751	623 089
Trade Receivables from exchange transactions	15	1 792 053	1 924 931
Receivables from non-exchange transactions	16	1 158 129	453 650
Unpaid Conditional Government Grants and Receipts	8	-	343 760
Lease Asset	17	54 869	64 376
VAT Receivable	9	909 574	1 834 532
Cash and Cash Equivalents	18	11 540 334	9 754 560
<b>Total Assets</b>		<b>117 945 264</b>	<b>104 744 390</b>

**PRINCE ALBERT LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	2015 (Actual) R	2014 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>59 556 504</b>	<b>63 918 449</b>
<b>Taxation Revenue</b>		<b>2 462 042</b>	<b>2 128 648</b>
Property taxes	19	2 462 042	2 128 648
<b>Transfer Revenue</b>		<b>52 961 873</b>	<b>48 792 024</b>
Government Grants and Subsidies - Capital	20	12 745 228	20 614 065
Government Grants and Subsidies - Operating	20	40 215 645	28 176 859
Public Contributions and Donations		1 000	1 100
<b>Other Revenue</b>		<b>4 132 589</b>	<b>12 997 777</b>
Actuarial Gains	3	550 841	418 226
Fines	21	3 581 748	12 579 551
<b>Revenue from Exchange Transactions</b>		<b>23 057 714</b>	<b>15 713 132</b>
Service Charges	22	17 541 217	13 876 277
Rental of Facilities and Equipment		273 499	279 909
Interest Earned - external investments		812 429	541 928
Interest Earned - outstanding debtors		710 981	562 568
Licences and Permits		261 181	256 394
Other Income	23	3 458 407	196 056
<b>Total Revenue</b>		<b>82 614 218</b>	<b>79 631 581</b>
<b>EXPENDITURE</b>			
Employee related costs	24	13 106 940	12 503 100
Remuneration of Councillors	25	2 410 570	2 309 463
Debt Impairment	26	5 223 754	12 971 779
Depreciation and Amortisation	27	1 744 429	2 183 081
Impairments	28	-	3 864 891
Repairs and Maintenance	29	1 173 770	834 661
Actuarial losses	3	7 466	11 288
Finance Charges	30	562 321	491 317
Bulk Purchases	31	6 605 794	7 630 228
Contracted services	32	24 246 001	13 799 903
General Expenses	33	14 341 345	9 862 938
Profit/Loss on disposal of Property, Plant and Equipment		108 386	56 499
<b>Total Expenditure</b>		<b>69 530 776</b>	<b>66 519 148</b>
<b>NET (DEFICIT)SURPLUS FOR THE YEAR</b>		<b>13 083 442</b>	<b>13 112 433</b>

**PRINCE ALBERT LOCAL MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Housing Development Fund</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2013</b>	-	<b>67 928 597</b>	<b>67 928 597</b>
Correction of error - note 35.1		(1 189 734)	(1 189 734)
<b>Restated Balance at 1 JULY 2013</b>	-	<b>66 738 863</b>	<b>66 738 863</b>
Net Surplus for the year (Restated)		13 112 433	13 112 433
<b>Restated Balance at 30 JUNE 2014</b>	-	<b>79 851 296</b>	<b>79 851 296</b>
Net Surplus for the year	-	13 083 442	13 083 442
<b>Balance at 30 JUNE 2015</b>	-	<b>92 934 739</b>	<b>92 934 738</b>

# PRINCE ALBERT LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 R	30 JUNE 2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		26 112 072	15 757 729
Government - operating		40 215 645	28 176 859
Government - capital		12 745 228	20 614 065
Interest		1 523 410	1 104 496
<b>Payments</b>			
Suppliers and employees		(64 360 021)	(37 455 706)
Finance charges	30	(562 321)	(491 317)
Transfers and Grants		-	-
<b>Cash generated by operations</b>	<b>36</b>	<b>15 674 013</b>	<b>27 706 126</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	10	(12 564 254)	(20 440 616)
Disposal of Biological Assets		-	-
Proceeds on Disposal of Fixed Assets		-	52 634
Purchase of Intangible Assets		(2 300)	-
Additions to Capitalised Restoration Cost		(1 323 323)	(3 092)
<b>Net Cash from Investing Activities</b>		<b>(13 889 877)</b>	<b>(20 391 074)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(68 110)	(75 939)
New loans raised		49 445	-
Increase in Consumer Deposits		20 303	22 391
<b>Net Cash from Financing Activities</b>		<b>1 638</b>	<b>(53 548)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 785 774</b>	<b>7 261 504</b>
Cash and Cash Equivalents at the beginning of the year		9 754 560	2 493 055
Cash and Cash Equivalents at the end of the year	37	11 540 334	9 754 560
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1 785 774</b>	<b>7 261 504</b>



**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	<b>2015</b> <b>R</b> <b>(Actual)</b>	<b>2015</b> <b>R</b> <b>(Final Budget)</b>	<b>2015</b> <b>R</b> <b>(Variance)</b>	<b>Explanations for material variances</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	11 540 334	2 196 237	9 344 097	Unspent grants increased
Consumer debtors	2 950 182	1 369 378	1 580 804	Lower collection rates
Other Receivables	964 443	785 406	179 037	Lower collection rates
Inventory	707 751	924 678	(216 927)	Increased electricity on hand
<b>Total current assets</b>	<b>16 162 710</b>	<b>5 275 700</b>	<b>10 887 010</b>	
<b>Non current assets</b>				
Investment property	13 856 642	14 995 841	(1 139 199)	
Property, plant and equipment	87 877 339	107 398 627	(19 521 288)	Capital spending did not realise as budgeted for
Intangible Assets	48 578	68 474	(19 896)	
<b>Total non current assets</b>	<b>101 782 559</b>	<b>122 462 942</b>	<b>(20 680 383)</b>	
<b>TOTAL ASSETS</b>	<b>117 945 269</b>	<b>127 738 641</b>	<b>(9 793 372)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	60 984	101 926	(40 942)	
Consumer deposits	394 704	400 918	(6 214)	
Trade and other payables	10 146 475	3 876 486	6 269 989	Unspent grants higher than predicted
Provisions and Employee Benefits	1 844 155	1 528 289	315 866	
<b>Total current liabilities</b>	<b>12 446 318</b>	<b>5 907 619</b>	<b>6 538 699</b>	
<b>Non current liabilities</b>				
Borrowing	13 959	-	13 959	
Provisions and Employee Benefits	12 550 246	6 316 891	6 233 355	Larger increase in provision than predicted
<b>Total non current liabilities</b>	<b>12 564 205</b>	<b>6 316 891</b>	<b>6 247 314</b>	
<b>TOTAL LIABILITIES</b>	<b>25 010 523</b>	<b>12 224 510</b>	<b>12 786 013</b>	
<b>NET ASSETS</b>	<b>92 934 746</b>	<b>115 514 131</b>	<b>(22 579 385)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	92 934 741	115 514 131	(22 579 390)	Refer statement of financial position
Reserves				
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>92 934 741</b>	<b>115 514 131</b>	<b>(22 579 390)</b>	

**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

**ADJUSTMENTS TO APPROVED BUDGET**

	<b>2015 R (Approved Budget)</b>	<b>2015 R (Adjustments)</b>	<b>2015 R (Final Budget)</b>	<b>Explanations for material adjustments</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	5 255 645	(3 059 408)	2 196 237	
Consumer debtors	4 079 356	(2 709 978)	1 369 378	
Other Receivables	552 745	232 661	785 406	
Inventory	577 529	347 149	924 678	
<b>Total current assets</b>	<b>10 465 275</b>	<b>(5 189 575)</b>	<b>5 275 700</b>	
<b>Non current assets</b>				
Investment property	15 156 911	(161 070)	14 995 841	
Property, plant and equipment	97 847 333	9 551 294	107 398 627	Expected increased capital spending
Intangible Assets	91 021	(22 547)	68 474	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<b>113 095 265</b>	<b>9 367 677</b>	<b>122 462 942</b>	
<b>TOTAL ASSETS</b>	<b>123 560 540</b>	<b>4 178 101</b>	<b>127 738 641</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	36 055	65 871	101 926	
Consumer deposits	373 836	27 082	400 918	
Trade and other payables	6 458 762	(2 582 276)	3 876 486	
Provisions and Employee Benefits	2 927 501	(1 399 212)	1 528 289	
<b>Total current liabilities</b>	<b>9 796 154</b>	<b>(3 888 534)</b>	<b>5 907 619</b>	
<b>Non current liabilities</b>				
Borrowing	16 903	(16 903)	-	
Provisions and Employee Benefits	4 882 892	1 433 999	6 316 891	
<b>Total non current liabilities</b>	<b>4 899 795</b>	<b>1 417 096</b>	<b>6 316 891</b>	
<b>TOTAL LIABILITIES</b>	<b>14 695 949</b>	<b>(2 471 439)</b>	<b>12 224 510</b>	
<b>NET ASSETS</b>	<b>108 864 592</b>	<b>6 649 540</b>	<b>115 514 131</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	108 864 592	6 649 540	115 514 131	
Reserves	-	-	-	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>108 864 592</b>	<b>6 649 540</b>	<b>115 514 131</b>	

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>REVENUE BY SOURCE</b>				
Property rates	2 462 042	2 418 600	43 442	
Service charges	17 541 217	16 174 727	1 366 490	Less indigents registered than expected
Rental of facilities and equipment	273 499	327 000	(53 501)	
Interest earned - external investments	812 429	700 000	112 429	Slower spending of grant funding
Interest earned - outstanding debtors	710 981	600 000	110 981	
Fines	3 581 748	7 523 000	(3 941 252)	
Licences and permits	261 181	1 200 000	(938 819)	Gross amount included in budget
Government Grants and Subsidies - Capital		-	-	
Government Grants and Subsidies - Operating	40 215 645	39 816 209	399 436	Incorrect allocation of housing grant between capital and operating
Other revenue	4 010 248	1 221 300	2 788 948	Additional payment from National Treasury Regarding audit fees
<b>Total Operating Revenue</b>	<b>69 868 990</b>	<b>69 980 836</b>	<b>(111 846)</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	13 106 940	12 534 474	572 466	Operating grant expenses allocated to salaries
Remuneration of councillors	2 410 570	2 450 000	(39 430)	
Debt impairment	5 223 754	2 100 000	3 123 754	Debt impairment for fines included in other expenses
Depreciation & asset impairment	1 744 429	1 705 000	39 429	
Finance charges	562 321	337 400	224 921	
Bulk purchases	6 605 794	7 100 000	(494 206)	Less purchases due load shedding
Contracted services	24 246 001	-	24 246 001	Included in General Expenses
Other expenditure	15 522 581	44 801 351	(29 278 770)	Contracted services was included in general expenses
Loss on disposal of PPE	108 386	-	108 386	
<b>Total Operating Expenditure</b>	<b>69 530 776</b>	<b>71 028 225</b>	<b>(1 497 449)</b>	
	338 214	(1 047 389)	1 385 603	
Government Grants and Subsidies - Capital	12 745 228	36 338 050	(23 592 822)	Unspent grants and housing expenditure budget as capital included in operating
	<b>13 083 442</b>	<b>35 290 661</b>	<b>(22 207 219)</b>	

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

**ADJUSTMENTS TO APPROVED BUDGET**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>				
Property rates	2 418 600	-	2 418 600	
Service charges	15 570 797	603 930	16 174 727	Less indigent users registered
Rental of facilities and equipment	327 000	-	327 000	
Interest earned - external investments	360 000	340 000	700 000	Slower spending of grant funding
Interest earned - outstanding debtors	500 000	100 000	600 000	
Fines	2 683 000	4 840 000	7 523 000	Change in service provider
Licences and permits	1 200 000	-	1 200 000	
Government Grants and Subsidies - Operating	29 092 950	10 723 259	39 816 209	
Other revenue	215 300	1 006 000	1 221 300	
<b>Total Operating Revenue</b>	<b>52 367 647</b>	<b>17 613 189</b>	<b>69 980 836</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	13 143 759	(609 285)	12 534 474	Vacant post on original budget not filled
Remuneration of councillors	2 450 000	-	2 450 000	
Debt impairment	2 100 000	-	2 100 000	
Depreciation & asset impairment	1 705 000	-	1 705 000	
Finance charges	337 400	-	337 400	
Bulk purchases	9 000 000	(1 900 000)	7 100 000	Cost of sales allocated to other expenditure
Other expenditure	23 629 199	21 172 152	44 801 351	Increased housing grant allocation
<b>Total Operating Expenditure</b>	<b>52 365 358</b>	<b>18 662 867</b>	<b>71 028 225</b>	
	2 289	(1 049 678)	(1 047 389)	
Government Grants and Subsidies - Capital	17 008 050	19 330 000	36 338 050	Increased grant allocations
	<b>17 010 339</b>	<b>18 280 322</b>	<b>35 290 661</b>	

**PRINCE ALBERT LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2015 R (Actual)	2015 R (Final Budget)	2015 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	26 112 072	25 285 333	826 739	Income did not realise as budgeted
Government - operating	40 215 645	33 704 650	6 510 995	Housing project operating incorrectly budgeted as capital
Government - capital	12 745 228	39 952 050	(27 206 822)	Housing project operating incorrectly budgeted as capital and unspent capital grants
Interest	1 523 410	1 029 655	493 755	Unspent grants led to increase in interest
<b>Payments</b>				
Suppliers and Employees	(64 360 021)	(73 147 329)	8 787 308	Due to decrease in income spending had to be decreased
Finance charges	(562 321)	(37 400)	(524 921)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>15 674 013</b>	<b>26 786 959</b>	<b>(11 112 946)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
Purchase of Intangible Assets	(2 300)	-	(2 300)	
Additions to Capitalised Restoration Cost	(1 323 323)	-	(1 323 323)	
<b>Payments</b>				
Capital assets	(12 564 254)	(34 321 208)	21 756 954	Capital spending dit not realise as budgeted for
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(13 889 877)</b>	<b>(34 321 208)</b>	<b>20 431 331</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	49 445	-	49 445	
Increase/(decrease) in consumer deposits	20 303	36 926	(16 623)	
<b>Payments</b>				
Repayment of borrowing	(68 110)	(61 052)	(7 058)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>1 638</b>	<b>(24 126)</b>	<b>25 763</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>1 785 774</b>	<b>(7 558 374)</b>	<b>9 344 148</b>	
Cash and Cash Equivalents at the beginning of the year	9 754 560	9 754 560	(0)	
Cash and Cash Equivalents at the end of the year	11 540 334	2 196 186	9 344 148	

**PRINCE ALBERT LOCAL MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

**ADJUSTMENTS TO APPROVED BUDGET**

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	19 454 676	5 830 657	25 285 333	
Government - operating	29 092 950	4 611 700	33 704 650	
Government - capital	17 008 050	22 944 000	39 952 050	
Interest	360 000	669 655	1 029 655	
<b>Payments</b>				
Suppliers and Employees	(46 516 841)	(26 630 487)	(73 147 329)	
Finance charges	(337 400)	300 000	(37 400)	
	<b>19 061 435</b>	<b>7 725 525</b>	<b>26 786 959</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(17 008 050)	(17 313 158)	(34 321 208)	
	<b>(17 008 050)</b>	<b>(17 313 158)</b>	<b>(34 321 208)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	21 825	15 101	36 926	
<b>Payments</b>				
Repayment of borrowing	(61 052)	-	(61 052)	
	<b>-39 227</b>	<b>15 101</b>	<b>(24 126)</b>	
	<b>2 014 158</b>	<b>(9 572 532)</b>	<b>(7 558 374)</b>	
Cash and Cash Equivalents at the beginning of the year	3 241 488	6 513 072	9 754 560	
Cash and Cash Equivalents at the end of the year	5 255 646	(3 059 460)	2 196 186	

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

### **1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

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**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;



# PRINCE ALBERT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>Directive 11</b>	<p><b>Changes in Measurement Bases following Initial Adoption of Standards of GRAP</b></p> <p>This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP.</p> <p>No significant impact is expected as the Municipality has no intention of changing i's measurement bases.</p>	<b>1 April 2015</b>
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>

**PRINCE ALBERT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<p><b>GRAP 32</b> <b>(Original – Aug 2013)</b></p>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>or</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 105</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 106</b> <b>(Original – Nov 2010)</b></p>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p><b>1 April 2015</b></p>

**PRINCE ALBERT MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<b>Mergers</b> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<b>Statutory Receivables</b> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<b>Unknown</b>
<b>GRAP 109</b>	<b>Accounting by Principles and Agents</b> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<b>Consolidation - Special Purpose Entities (SPE)</b> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<b>Jointly Controlled Entities non-monetary contributions</b> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>

PRINCE ALBERT MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

IGRAP17	<p><b>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</b></p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p> <p>or</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## 1.9. RESERVES

### 1.9.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

## 1.10. LEASES

### 1.10.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **1.10.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### **1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

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**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

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**1.15. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

**1.15.1. Post-Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.2 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality’s obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.



## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### **1.15.3 Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### **1.15.4 Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### **1.15.5 Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### **1.15.6 Provision for Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.15.7 Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.15.8 Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.16. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

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**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.17.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

# PRINCE ALBERT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1.17.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Paving	3-59	Buildings	95
Pedestrian Malls	30	Specialist vehicles	15
Electricity	3-42	Other vehicles	2-16
Water	3-60	Office equipment	1-27
Sewerage	3-60	Furniture and fittings	7-10
Housing	95	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>		Specialised plant and	
Buildings	95	Equipment	1-14
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-100	Landfill sites	15
Libraries	95	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	1-12
<b><u>Finance lease assets</u></b>			
Office equipment	1-5		
Other assets	5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.17.4 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2010.

**1.18. INTANGIBLE ASSETS**

**1.18.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### **1.18.2 Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### **1.18.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	10
Computer Software Licenses	10

#### **1.18.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### **1.18.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2010.

**1.19. INVESTMENT PROPERTY**

**1.19.1 Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

### **1.19.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<b><u>Investment Property</u></b>	<b>Years</b>
Buildings	30

### **1.19.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.19.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

## **1.20 HERITAGE ASSETS**

### **1.20.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

### **1.20.2 Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.



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**1.20.3 Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.20.4 De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.20.5 Application of deemed cost - Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2010.

**1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.21.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

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**1.21.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

**1.22. INVENTORIES**

**1.22.1 Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.22.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

**1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

### **1.23.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### **1.23.2 Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### **1.23.2.1 Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

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The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.23.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.23.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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**1.23.3 De-recognition of Financial Instruments**

**1.23.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.23.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.23.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously



## **1.24 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

### **1.24.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

### **1.24.2 Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

### **1.24.3 Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and

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- (ii) recognise separately any rights and obligations created or retained in the transfer.

#### **1.25. REVENUE**

##### **1.25.1 Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

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All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### **1.25.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### **1.26. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
  - has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### **1.27. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.28. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.29. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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**1.30. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.31. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.31.1 *Post retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.31.2 *Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

**1.31.3 *Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.



## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### **1.31.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

**1.31.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.31.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.31.7 Revenue Recognition**

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.31.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

**1.31.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.31.10 Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.31.11 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

**1.31.12 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.32. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.33. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

## PRINCE ALBERT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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#### 1.34. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

2

**LONG-TERM LIABILITIES**

Capitalised Lease Liability - At amortised cost

2015  
R

2014  
R

74 943

93 609

Current Portion transferred to Current Liabilities

60 984

54 911

Capitalised Lease Liability - At amortised cost

60 984

54 911

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

13 959

38 698

The obligations under finance leases are scheduled below:

**Minimum  
lease payments**

Amounts payable under finance leases:

Payable within one year

60 984

50 192

Payable within two to five years

13 959

48 073

74 943

98 265

(4 478)

(4 656)

**Less:** Future finance obligations

**Present value of lease obligations**

70 465

93 609

Leases are secured by property, plant and equipment - Note 10

3

**EMPLOYEE BENEFITS**

Post Retirement Medical - Refer to Note 3.1

3 677 980

3 884 059

Long Service Awards - Refer to Note 3.2

965 444

880 716

Ex Gratia Payments - Refer to Note 3.3

36 979

31 555

**Total Non-current Employee Benefit Liabilities**

4 680 403

4 796 330

**Post Retirement Medical**

2015  
R

2014  
R

Balance 1 July

4 063 843

4 192 984

Contribution for the year

144 917

139 395

Interest Cost

358 004

324 397

Expenditure for the year

(173 855)

(174 707)

Actuarial Loss/(Gain)

(550 841)

(418 226)

**Total post retirement benefits 30 June**

3 842 068

4 063 843

**Less:** Transfer of Current Portion - Note 6

(164 088)

(179 784)

**Balance 30 June**

3 677 980

3 884 059

**Long Service Awards**

2015  
R

2014  
R

Balance 1 July

970 613

873 621

Contribution for the year

84 491

78 806

Interest Cost

77 832

63 817

Expenditure for the year

(64 324)

(56 196)

Actuarial Loss/(Gain)

4 725

10 565

**Total long service 30 June**

1 073 337

970 613

**Less:** Transfer of Current Portion - Note 6

(107 893)

(89 897)

**Balance 30 June**

965 444

880 716

**Ex Gratia Payments**

2015  
R

2014  
R

Balance 1 July

31 555

28 616

Contribution for the year

-

-

Interest Cost

2 683

2 216

Expenditure for the year

-

-

Actuarial Loss/(Gain)

2 741

723

**Total long service 30 June**

36 979

31 555

**Less:** Transfer of Current Portion - Note

-

-

**Balance 30 June**

36 979

31 555

**EMPLOYEE BENEFITS (CONTINUE)**

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

	2015 R	2014 R
Balance 1 July	5 066 011	5 095 221
Contribution for the year	229 408	218 201
Interest cost	438 519	390 430
Expenditure for the year	(238 179)	(230 903)
Actuarial Loss/(Gain)	(543 375)	(406 938)
<b>Total employee benefits 30 June</b>	<b>4 952 384</b>	<b>5 066 011</b>
<b>Less:</b> Transfer of Current Portion - Note 6	(271 981)	(269 681)
<b>Balance 30 June</b>	<b>4 680 403</b>	<b>4 796 330</b>

**3.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	15	15
In-service (employee) non-members	29	25
Continuation members (e.g. Retirees, widows, orphans)	6	6
<b>Total Members</b>	<b>50</b>	<b>46</b>

The liability in respect of past service has been estimated to be as follows:

In-service members and potential members	2 107 493	2 058 733
Continuation members	1 734 575	2 005 110
<b>Total Liability</b>	<b>3 842 068</b>	<b>4 063 843</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2013 R	2012 R	2011 R
In-service members	1 864 350	1 513 866	1 302 842
Continuation members	2 328 634	2 162 558	1 950 415
<b>Total Liability</b>	<b>4 192 984</b>	<b>3 676 424</b>	<b>3 253 257</b>

	2013 R	2012 R	2011 R
Experience adjustments were calculated as follows:			
Liabilities: (Gain) / loss	(32 000)	(102 000)	316 000
Assets: Gain / (loss)	-	-	-

The municipality performed their first actuarial valuation on 30 June 2010. Thus there are experience adjustment figures available since 30 June 2010 to fully comply with GRAP 25

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health  
Samwumed; and  
Keyhealth.

Key actuarial assumptions used:

i) **Rate of interest**

	2015 %	2014 %
Discount rate	8.88%	9.00%
Health Care Cost Inflation Rate	7.98%	8.22%
Net Effective Discount Rate	0.90%	0.72%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) **Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) **Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

	2015 R	2014 R
Present value of fund obligations	3 677 980	3 884 059
<b>Net liability/(asset)</b>	<b>3 677 980</b>	<b>3 884 059</b>

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	4 063 843	4 192 984
Total expenses	329 066	289 085
Current service cost	144 917	139 395
Interest Cost	358 004	324 397
Benefits Paid	(173 855)	(174 707)
Actuarial (gains)/losses	(550 841)	(418 226)
Present value of fund obligation at the end of the year	3 842 068	4 063 843
<b>Less:</b> Transfer of Current Portion - Note 6	(164 088)	(179 784)
<b>Balance 30 June</b>	<b>3 677 980</b>	<b>3 884 059</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	2.107	1.735	3.842	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	2.614	1.886	4.500	17%
Health care inflation	-1%	1.713	1.601	3.314	-14%
Post-retirement mortality	-1 year	2.183	1.812	3.995	4%
Average retirement age	-1 year	2.259	1.735	3.994	4%
Withdrawal Rate	-50%	1.708	1.735	3.443	-10%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		144900	358000	502 900	
Health care inflation	1%	183700	421200	604 900	20%
Health care inflation	-1%	115400	307200	422 600	-16%
Post-retirement mortality	-1 year	150100	372600	522 700	4%
Average retirement age	-1 year	158500	374300	532 800	6%
Withdrawal Rate	-50%	116500	324200	440 700	-12%

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

44	44
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Key actuarial assumptions used:

%	%
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**i) Rate of interest**

Discount rate	8.04%	8.04%
General Salary Inflation (long-term)	7.11%	7.11%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.87%	0.87%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	965 444	880 716
<b>Net liability</b>	<b>965 444</b>	<b>880 716</b>

The municipality performed their first actuarial valuation on 30 June 2015. Thus there no experience adjustment figures available to fully comply with GRAP 25

**Reconciliation of present value of fund obligation:**

	2015 R	2014 R
Present value of fund obligation at the beginning of the year	970 613	873 621
Total expenses	97 999	86 427
Current service cost	84 491	78 806
Interest Cost	77 832	63 817
Benefits Paid	(64 324)	(56 196)
Actuarial (gains)/losses	4 725	10 565
Present value of fund obligation at the end of the year	1 073 337	970 613
<b>Less:</b> Transfer of Current Portion - Note 6	(107 893)	(89 897)
<b>Balance 30 June</b>	<b>965 444</b>	<b>880 716</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

Assumption	Change	Liability (R)	% change
Central assumptions		1 073 000	
General salary inflation	1%	1 148 000	7%
General salary inflation	-1%	1 006 000	-6%
Average retirement age	-2 yrs	941 000	-12%
Average retirement age	2 yrs	1 224 000	14%
Withdrawal rates	-50%	1 287 000	20%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central assumptions		89 100	82 100	171 200	
General salary inflation	1%	96 400	88 100	184 500	8%
General salary inflation	-1%	82 600	76 700	159 300	-7%
Average retirement age	-2 yrs	80 300	71 500	151 800	-11%
Average retirement age	2 yrs	98 600	94 200	192 800	13%
Withdrawal rates	-50%	114 800	99 300	214 100	25%



**3.3 Ex Gratia Payments**

The Ex Gratia plans are defined benefit plans.

As at year end, the following number of employees were eligible for Ex Gratia Payments:

Key actuarial assumptions used:

2015 R	2014 R
8	8
%	%

**i) Rate of interest**

Discount rate	8.47%	8.57%
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations

36 979	31 555
<b>36 979</b>	<b>31 555</b>

**Net liability**

The municipality performed their first actuarial valuation on 30 June 2015. Thus there no experience adjustment figures available to fully comply with GRAP 25

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year  
Total expenses

2015 R	2014 R
31 555	28 616
2 683	2 216

Current service cost

Interest Cost

Benefits Paid

-	-
2 683	2 216
-	-

Actuarial (gains)/losses

2 741	723
-------	-----

Present value of fund obligation at the end of the year

36 979	31 555
--------	--------

**Less:** Transfer of Current Portion - Note

-	-
---	---

**Balance 30 June**

<b>36 979</b>	<b>31 555</b>
---------------	---------------

**Sensitivity Analysis on the Unfunded Accrued Liability****Assumption****Change****Liability  
(R)****% change**

Central assumptions

Discount rate

Discount rate

Average retirement age

1%

-1%

-1 yrs

36 979

35 057

39 061

39 865

-5%

6%

8%

**Assumption****Change****Interest Cost  
(R)****Total  
(R)****% change**

Central assumptions

Discount rate

Discount rate

Average retirement age

1%

-1%

-1 yrs

2 683

2 816

2 525

2 893

2 683

2 816

2 525

2 893

5%

-6%

8%

**3.4 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in an sound financial position with a funding level of 101.7% (30 June 2013 - 99.2%).

**CAPE JOINT RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2014 revealed that the fund is in a sound financial position with a funding level of 112.6% (30 June 2013 - 105.1%).

**DEFINED CONTRIBUTION PLANS**

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

	1 353 780	812 409
	2015	2014
	R	R

4

**NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

	7 869 843	2 103 066
	7 869 843	2 103 066

**Total Non-current Provisions**

	2015	2014
	R	R

**Landfill Sites**

Balance 1 July

	2 103 066	2 004 429
--	-----------	-----------

Contribution for the year

	5 766 777	98 637
--	-----------	--------

**Total provision 30 June**

	7 869 843	2 103 066
--	-----------	-----------

Current Portion

	-	-
--	---	---

**Balance 30 June**

	7 869 843	2 103 066
--	-----------	-----------

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

This rate used is also within the inflation target range of the South African Reserve Bank of between 3% to 6%.

No provision for current portion is made due to fact that no amount where budgeted for rehabilitation

Currently there are no fixed date for rehabilitation of the landfill sites even though 2 of the sites has reached their licenced life times

	<i>Prince Albert</i>	<i>Leeu Gamka</i>	<i>Klaarstroom</i>
Area (m²)	5285m²	1610m²	6680m²
Rehabilitation volume (m³)	14600m³	5470m³	1840m³

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2015</u>	<u>Cost of rehabilitation 2014</u>
Prince Albert	2018	3 142 738	882 834
Leeu Gamka	2061	2 731 025	578 178
Klaarstroom	2038	1 996 081	642 054
		<b>7 869 843</b>	<b>2 103 066</b>

**5 CONSUMER DEPOSITS**

	<b>2015 R</b>	<b>2014 R</b>
Electricity	264 741	263 146
Rent	7 488	7 488
Water	122 475	103 767
<b>Total Consumer Deposits</b>	<b>394 704</b>	<b>374 401</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>-</b>	<b>-</b>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

**6 CURRENT EMPLOYEE BENEFITS**

	<b>2015 R</b>	<b>2014 R</b>
Current Portion of Post Retirement Benefits - Note 3	271 981	269 681
Staff Leave	1 140 734	946 257
Bonuses	431 440	402 248
<b>Total Current Employee Benefits</b>	<b>1 844 155</b>	<b>1 618 186</b>

The movement in current employee benefits are reconciled as follows:

<u>Staff Leave</u>	<b>2015 R</b>	<b>2014 R</b>
Balance at beginning of year	946 257	899 926
Contribution to current portion	228 395	135 009
Expenditure incurred	(33 918)	(88 678)
Balance at end of year	<b>1 140 734</b>	<b>946 257</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

<u>Bonuses</u>	<b>2015 R</b>	<b>2014 R</b>
Balance at beginning of year	402 248	277 799
Contribution to current portion	29 192	124 449
Balance at end of year	<b>431 440</b>	<b>402 248</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

7	TRADE AND OTHER PAYABLES	2015 R	2014 R
	Trade Payables	2 223 619	10 300 300
	Debtors with credit balances	376 529	460 607
	Retentions	528 983	638 022
	Other	-	-
	Sundry Deposits	4 000	4 000
	<b>Total Trade Payables</b>	<b>3 133 131</b>	<b>11 402 929</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary. The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, builders and housing Deposits.

8	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2015 R	2014 R
	<b>Unspent Grants</b>	7 013 344	4 504 570
	National Government Grants	-	-
	Provincial Government Grants	7 013 344	4 504 570
	Other Grant Providers	-	-
	<b>Less: Unpaid Grants</b>	-	343 760
	National Government Grants	-	343 760
	Provincial Government Grants	-	-
	Other Grant Providers	-	-
	<b>Total Conditional Grants and Receipts</b>	<b>7 013 344</b>	<b>4 160 810</b>

9	TAXES	2015 R	2014 R
9.1	<b>VAT PAYABLE</b>		
	VAT output in suspense	24 291	90 680
	Total Vat payable	24 291	90 680
9.2	<b>VAT RECEIVABLE</b>		
	VAT input in suspense	(454 845)	(247 096)
	VAT Control	(479 020)	(1 678 116)
	Total VAT receivable	(933 865)	(1 925 212)
9.3	<b>NET VAT RECEIVABLE/(PAYABLE)</b>	<b>(909 574)</b>	<b>(1 834 532)</b>

VAT is receivable/payable on the cash basis.

## 10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2015

## Reconciliation of Carrying Value

	Opening Balance R	Transfers R	Correction of Error R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Impairments Additions R	Closing Balance R	Opening Balance R	Transfers R	Accumulated Depreciation Correction of Errors R	Depreciation R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>7 492 816</b>	-	-	-	-	<b>7 492 816</b>	<b>2 484 877</b>	-	<b>2 484 877</b>	<b>184 160</b>	-	-	<b>37 472</b>	-	<b>221 632</b>	<b>4 786 307</b>
Land	3 706 179	-	-	-	-	3 706 179	1 544 885	-	1 544 885	-	-	-	-	-	-	2 161 294
Buildings	3 786 637	-	-	-	-	3 786 637	939 992	-	939 992	184 160	-	-	37 472	-	221 632	2 625 013
<b>Infrastructure</b>	<b>63 756 381</b>	-	-	<b>10 442 642</b>	-	<b>74 199 023</b>	-	-	-	<b>8 797 712</b>	-	-	<b>1 056 701</b>	-	<b>9 854 412</b>	<b>64 344 611</b>
Main: Roads	13 870 774	-	-	-	-	13 870 774	-	-	-	3 250 709	-	-	353 180	-	3 603 889	10 266 884
Main: Waste Management	14 413 569	-	-	-	-	14 413 569	-	-	-	1 570 600	-	-	317 568	-	1 888 168	12 525 401
Main: Electricity	2 751 771	-	-	-	-	2 751 771	-	-	-	1 203 393	-	-	58 282	-	1 261 674	1 490 096
Main: Water	18 547 360	-	-	6 300 545	-	24 847 906	-	-	-	2 773 010	-	-	327 671	-	3 100 680	21 747 225
Taxi Ranks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	14 172 907	-	-	4 142 097	-	18 315 004	-	-	-	-	-	-	-	-	-	18 315 004
Reservoirs/Tanks and Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	<b>14 037 971</b>	-	-	<b>1 851 626</b>	-	<b>15 889 597</b>	-	-	-	<b>399 582</b>	-	-	<b>112 742</b>	-	<b>512 324</b>	<b>15 377 273</b>
Recreation Grounds	5 444 883	-	-	-	-	5 444 883	-	-	-	11 603	-	-	2 259	-	13 862	5 431 022
Civic Buildings	5 666 943	-	-	-	-	5 666 943	-	-	-	95 469	-	-	87 580	-	183 049	5 483 895
Transfer Station	292 901	-	-	-	-	292 901	-	-	-	170 859	-	-	-	-	170 859	122 042
Libraries	1 177 450	-	-	-	-	1 177 450	-	-	-	59 854	-	-	11 652	-	71 506	1 105 944
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus Terminals	78 670	-	-	-	-	78 670	-	-	-	3 999	-	-	-	-	3 999	74 671
Work in Progress	188 473	-	-	1 851 626	-	2 040 099	-	-	-	-	-	-	-	-	-	2 040 099
Cemetery	51 650	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Museum	1 137 000	-	-	-	-	1 137 000	-	-	-	57 798	-	-	11 251	-	69 049	1 067 951
<b>Lease Assets</b>	<b>291 919</b>	<b>(61 289)</b>	-	<b>49 445</b>	-	<b>280 075</b>	-	-	-	<b>153 793</b>	-	-	<b>43 738</b>	-	<b>158 324</b>	<b>121 751</b>
Office Equipment	291 919	(61 289)	-	49 445	-	280 075	-	-	-	153 793	(39 207)	-	43 738	-	158 324	121 751
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>4 862 635</b>	<b>61 289</b>	-	<b>220 540</b>	<b>(410 783)</b>	<b>4 733 681</b>	<b>225 111</b>	-	<b>225 111</b>	<b>2 534 737</b>	<b>39 207</b>	-	<b>431 905</b>	<b>(309 035)</b>	<b>2 696 814</b>	<b>1 811 756</b>
Motor Vehicles	1 072 323	-	-	99 332	-	1 171 655	225 111	-	225 111	394 913	-	-	97 553	-	492 467	454 077
Plant and Equipment	481 165	-	-	25 611	(78 601)	428 175	-	-	-	257 447	-	-	57 389	(51 996)	262 839	165 336
Office Equipment	386 488	-	-	-	-	386 488	-	-	-	269 152	-	-	39 139	-	308 291	78 196
Furniture and Equipment	721 884	9 041	-	23 835	(58 052)	696 708	-	-	-	392 418	6 027	-	63 552	(45 370)	416 627	280 081
Loose Equipment	220 273	-	-	-	-	220 273	-	-	-	60 975	-	-	-	-	60 975	159 298
Computer Equipment	827 841	52 248	-	71 763	(189 339)	762 513	-	-	-	592 162	33 180	-	84 871	(168 230)	541 983	220 530
Specialised Vehicles	1 150 670	-	-	-	(84 791)	1 065 879	-	-	-	566 133	-	-	89 400	(43 439)	612 094	453 784
Security Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Fighting Equipment	1 991	-	-	-	-	1 991	-	-	-	1 538	-	-	-	-	1 538	453
	<b>90 441 721</b>	-	-	<b>12 564 254</b>	<b>(410 783)</b>	<b>102 995 192</b>	<b>2 709 988</b>	-	<b>2 709 988</b>	<b>12 069 984</b>	<b>39 207</b>	-	<b>1 682 558</b>	<b>(309 035)</b>	<b>13 443 507</b>	<b>86 441 698</b>

**PRINCE ALBERT MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

30 JUNE 2014

**Reconciliation of Carrying Value**

	Opening Balance	Transfers	Cost Correction of Error	Additions	Disposals	Closing Balance	Accumulated Impairments Opening Balance	Additions	Closing Balance	Opening Balance	Transfers	Accumulated Depreciation Correction of Errors	Depreciation	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Land and Buildings</b>	<b>7 417 116</b>	<b>75 700</b>	-	-	-	<b>7 492 816</b>	-	<b>2 484 877</b>	<b>2 484 877</b>	<b>146 293</b>	-	-	<b>37 866</b>	-	<b>184 160</b>	<b>4 823 779</b>
Land	3 630 479	75 700	-	-	-	3 706 179	-	1 544 885	1 544 885	-	-	-	-	-	-	2 161 294
Buildings	3 786 637	-	-	-	-	3 786 637	-	939 992	939 992	146 293	-	-	37 866	-	184 160	2 662 485
<b>Infrastructure</b>	<b>43 699 649</b>	-	-	<b>20 056 732</b>	-	<b>63 756 381</b>	-	-	-	<b>7 765 064</b>	-	<b>(8 635)</b>	<b>1 041 283</b>	-	<b>8 797 712</b>	<b>54 958 669</b>
Main: Roads	13 520 108	137 063	-	213 602	-	13 870 774	-	-	-	2 888 337	-	-	362 373	-	3 250 709	10 620 065
Main: Waste Management	13 865 624	-	-	547 945	-	14 413 569	-	-	-	1 240 015	-	-	330 585	-	1 570 600	12 842 968
Main: Electricity	2 751 771	-	-	-	-	2 751 771	-	-	-	1 142 339	-	-	61 054	-	1 203 393	1 548 378
Main: Water	12 338 102	-	-	-	-	12 338 102	-	-	-	2 494 373	-	(8 635)	287 271	-	2 773 010	9 565 092
Taxi Ranks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airfield	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	1 224 044	(137 063)	-	19 295 185	-	20 382 166	-	-	-	-	-	-	-	-	-	20 382 166
Reservoirs/Tanks and Pumps	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Community Assets</b>	<b>13 849 498</b>	-	-	<b>188 473</b>	-	<b>14 037 971</b>	-	-	-	<b>275 322</b>	-	-	<b>124 260</b>	-	<b>399 582</b>	<b>13 638 389</b>
Recreation Grounds	5 444 883	-	-	-	-	5 444 883	-	-	-	9 321	-	-	2 283	-	11 603	5 433 280
Civic Buildings	961 600	4 705 343	-	-	-	5 666 943	-	-	-	39 265	-	-	56 204	-	95 469	5 571 475
Transfer Station	292 901	-	-	-	-	292 901	-	-	-	129 016	-	-	41 843	-	170 859	122 042
Libraries	1 177 450	-	-	-	-	1 177 450	-	-	-	48 080	-	-	11 775	-	59 854	1 117 596
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bus Terminals	78 670	-	-	-	-	78 670	-	-	-	3 213	-	-	787	-	3 999	74 671
Work in Progress	4 705 343	(4 705 343)	-	188 473	-	188 473	-	-	-	-	-	-	-	-	-	188 473
Cemetery	51 650	-	-	-	-	51 650	-	-	-	-	-	-	-	-	-	51 650
Museum	1 137 000	-	-	-	-	1 137 000	-	-	-	46 428	-	-	11 370	-	57 798	1 079 202
<b>Lease Assets</b>	<b>291 919</b>	-	-	-	-	<b>291 919</b>	-	-	-	<b>95 717</b>	-	-	<b>58 076</b>	-	<b>153 793</b>	<b>138 126</b>
Office Equipment	291 919	-	-	-	-	291 919	-	-	-	95 717	-	-	58 076	-	153 793	138 126
<b>Heritage Assets</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Assets</b>	<b>4 771 153</b>	-	<b>59 840</b>	<b>160 060</b>	<b>(128 418)</b>	<b>4 862 635</b>	-	<b>225 111</b>	<b>225 111</b>	<b>1 952 501</b>	-	<b>33 125</b>	<b>635 911</b>	<b>(86 799)</b>	<b>2 534 737</b>	<b>2 102 787</b>
Motor Vehicles	1 162 356	-	-	-	(90 033)	1 072 323	-	225 111	225 111	296 623	-	-	157 329	(59 038)	394 913	452 298
Plant and Equipment	407 757	-	38 804	37 627	(3 024)	481 165	-	-	-	194 691	-	24 253	40 217	(1 715)	257 447	223 719
Office Equipment	394 338	-	-	-	(7 850)	386 488	-	-	-	231 820	-	-	43 538	(6 206)	269 152	117 336
Furniture and Equipment	636 711	-	2 217	88 561	(5 605)	721 884	-	-	-	301 980	-	1 140	93 363	(4 065)	392 418	329 467
Loose Equipment	220 273	-	-	-	-	220 273	-	-	-	38 222	-	-	22 752	-	60 975	159 298
Computer Equipment	830 826	-	299	18 621	(21 905)	827 841	-	-	-	486 489	-	187	121 261	(15 775)	592 162	235 680
Specialised Vehicles	1 116 900	-	18 519	15 250	-	1 150 670	-	-	-	401 319	-	7 545	157 269	-	566 133	584 537
Security Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire Fighting Equipment	1 991	-	-	-	-	1 991	-	-	-	1 358	-	-	181	-	1 538	453
	<b>70 029 334</b>	<b>75 700</b>	<b>59 840</b>	<b>20 405 265</b>	<b>(128 418)</b>	<b>90 441 721</b>	-	<b>2 709 988</b>	<b>2 709 988</b>	<b>10 234 897</b>	-	<b>24 490</b>	<b>1 897 397</b>	<b>(86 799)</b>	<b>12 069 984</b>	<b>75 661 750</b>

11	<b>CAPITALISED RESTORATION COST</b>		<b>2015</b>	<b>2014</b>
			<b>R</b>	<b>R</b>
	<b>Net Carrying amount at 1 July</b>		<b>156 822</b>	<b>451 866</b>
	Cost		873 811	870 719
	Accumulated Depreciation		(704 396)	(406 718)
	Accumulated Impairments		(12 593)	(12 135)
	Acquisitions		1 320 319	3 092
	Depreciation for the year		(44 509)	(297 678)
	Impairment		3 009	(458)
	<b>Net Carrying amount at 30 June</b>		<b>1 435 641</b>	<b>156 822</b>
	Cost		2 194 130	873 811
	Accumulated Depreciation		(748 905)	(704 396)
	Accumulated Impairment		(9 584)	(12 593)
12	<b>INVESTMENT PROPERTY</b>		<b>2015</b>	<b>2014</b>
			<b>R</b>	<b>R</b>
	<b>Net Carrying amount at 1 July</b>		<b>13 858 446</b>	<b>15 156 912</b>
	Cost		15 022 155	15 164 355
	Accumulated Depreciation		(9 264)	(7 443)
	Accumulated Impairment		(1 154 445)	-
	Depreciation for the year		(1 804)	(1 822)
	Impairment for the year		-	(1 154 445)
	Disposal		-	(66 500)
	<b>Net Carrying amount at 30 June</b>		<b>13 856 642</b>	<b>13 858 446</b>
	Cost		15 022 155	15 022 155
	Accumulated Depreciation		(11 068)	(9 264)
	Accumulated Impairment		(1 154 445)	(1 154 445)
	There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.			
	Revenue derived from the rental of investment property		273 499	279 909
13	<b>INTANGIBLE ASSETS</b>		<b>2015</b>	<b>2014</b>
			<b>R</b>	<b>R</b>
	<b>Computer Software</b>			
	<b>Net Carrying amount at 1 July</b>		<b>68 474</b>	<b>91 017</b>
	Cost		233 380	239 059
	Accumulated Amortisation		(164 906)	(148 042)
	Disposal		(6 638)	(1 012)
	Additions		2 300	-
	Amortisation		(15 554)	(21 535)
	<b>Net Carrying amount at 30 June</b>		<b>48 578</b>	<b>68 474</b>
	Cost		180 180	233 380
	Accumulated Amortisation		(131 602)	(164 906)

<u>Description</u>	<u>Remaining Amortisation Period</u>	<b>Carrying Value</b>	
		<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
Microsoft Office and Windows software	4	48 578	68 474

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

14	INVENTORY	2015 R	2014 R
	Consumable Stores	198 273	253 798
	Electricity	279 468	137 007
	Unsold Properties	219 420	219 420
	Water – at cost	10 590	12 864
	<b>Total Inventory</b>	<b>707 751</b>	<b>623 089</b>

15	TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS	2015 R	2014 R
	Electricity	1 295 141	1 082 129
	Water	4 269 674	3 041 182
	Refuse	2 258 880	1 605 309
	Sewerage	2 564 060	2 105 152
	Fire Services	7 598	8 614
	Rent	131 170	114 475
	Debtors with credit balances	376 529	460 607
	<b>Total Receivables from Exchange Transactions</b>	<b>10 903 052</b>	<b>8 417 468</b>
	Less: Allowance for Doubtful Debts	(9 110 999)	(6 492 536)
	<b>Total Net Receivables from Exchange Transactions</b>	<b>1 792 053</b>	<b>1 924 932</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

Ageing of Receivables from Exchange Transactions:

**(Electricity): Ageing**

Current (0 - 30 days)	457 556	415 247
31 - 60 Days	166 762	97 790
61 - 90 Days	108 424	56 316
+ 90 Days	562 399	512 776
<b>Total</b>	<b>1 295 141</b>	<b>1 082 129</b>

**(Water): Ageing**

Current (0 - 30 days)	194 284	210 104
31 - 60 Days	157 849	136 914
61 - 90 Days	183 312	168 681
+ 90 Days	3 734 229	2 525 483
<b>Total</b>	<b>4 269 674</b>	<b>3 041 182</b>

**(Refuse): Ageing**

Current (0 - 30 days)	121 806	116 404
31 - 60 Days	85 066	72 305
61 - 90 Days	77 880	66 872
+ 90 Days	1 974 128	880 101
<b>Total</b>	<b>2 258 880</b>	<b>1 135 682</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	83 971	278 109
31 - 60 Days	142 022	107 640
61 - 90 Days	125 505	84 027
+ 90 Days	2 212 562	1 112 045
<b>Total</b>	<b>2 564 060</b>	<b>1 581 822</b>

**(Other): Ageing**

Current (0 - 30 days)	14 073	30 866
31 - 60 Days	4 950	5 378
61 - 90 Days	4 841	4 179
+ 90 Days	114 905	82 666
<b>Total</b>	<b>138 768</b>	<b>123 089</b>



**(Total): Ageing**

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

**Total**

2015 R	2014 R
871 690	1 050 730
556 648	420 027
499 962	380 075
8 598 224	5 113 071
<b>10 526 523</b>	<b>6 963 904</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year  
Written off during the year  
Contribution to provision/(Reversal of provision)

**Balance at end of year**

2015 R	2014 R
6 492 536	4 959 804
(180 673)	(297 329)
2 799 136	1 830 061
<b>9 110 999</b>	<b>6 492 536</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**16 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Rates  
Other Receivables

Traffic Fines  
Other Debtors

**Total Receivables from Non-Exchange Transactions**

Less: Allowance for Doubtful Debts

**Total Net Receivables from Non-Exchange Transactions**

2015 R	2014 R
588 218	583 337
8 098 444	12 087 377
7 262 271	11 538 891
836 173	548 486
<b>8 686 662</b>	<b>12 670 714</b>
(7 528 533)	(12 217 064)
<b>1 158 129</b>	<b>453 650</b>

Ageing of Receivables from Non-Exchange Transactions:

**(Rates): Ageing**

Current (0 - 30 days)  
31 - 60 Days  
61 - 90 Days  
+ 90 Days

**Total**

2015 R	2014 R
(73 398)	139 341
31 229	35 141
14 881	20 716
615 506	393 021
<b>588 218</b>	<b>588 219</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year  
Written off during the year  
Contribution to provision/(Reversal of provision)

**Balance at end of year**

2015 R	2014 R
12 217 064	660 361
(7 259 120)	-
2 570 589	11 556 703
<b>7 528 533</b>	<b>12 217 064</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**17 OPERATING LEASE ARRANGEMENTS**

**The Municipality as Lessor (Asset)**

**Balance on 1 July**

Movement during the year

**Balance on 30 June**

2015 R	2014 R
64 376	56 158
(9 507)	8 218
<b>54 869</b>	<b>64 376</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year  
1 to 5 Years  
More than 5 Years

**Total Operating Lease Arrangements**

2015 R	2014 R
194 528	194 617
299 746	457 511
-	-
<b>494 274</b>	<b>652 128</b>

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for variable periods with the final lease ending in 2018

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**CASH AND CASH EQUIVALENTS**

**Assets**

Call Investments Deposits  
Primary Bank Account  
Traffic Bank Account  
Cash Floats

2015 R	2014 R
10 980 159	9 338 985
558 475	359 654
-	54 221
1 700	1 700
<b>11 540 334</b>	<b>9 754 560</b>

**Total Cash and Cash Equivalents - Assets**

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

A Bank Guarantee is retained for ESKOM by ABSA Bank

9 960 9 960

The municipality has the following bank accounts:

**Current Accounts**

Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):

2015 R	2014 R
558 475	110 578
<b>558 475</b>	<b>110 578</b>

**Savings accounts**

Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):

2015 R	2014 R
10 980 159	9 338 985
<b>10 980 159</b>	<b>9 338 985</b>

**Prince Albert ABSA Bank - Account Number 2640560064 (Primary Bank Account):**

Cash book balance at beginning of year  
Cash book balance at end of year

413 875	110 578
558 475	413 875

Bank statement balance at beginning of year  
Bank statement balance at end of year

1 683 142	51 400
783 726	1 683 142

**Prince Albert ABSA Bank - Account Number 4063942217 (Traffic Account):**

In Abakus the cashbook is combined with the primary bank account

N/A N/A

Bank statement balance at beginning of year  
Bank statement balance at end of year

54 221	638 897
623 071	54 221

**Prince Albert ABSA Bank - Account Number 9287334653 (Savings Account):**

Cash book balance at beginning of year  
Cash book balance at end of year

9 338 985	2 380 777
10 980 159	9 338 985

Bank statement balance at beginning of year  
Bank statement balance at end of year

9 295 049	2 380 777
10 922 552	9 295 049

2015  
R 2014  
R

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**PROPERTY RATES**

**Actual**

**Rateable Land and Buildings**

Residential, Commercial Property, State

Less: Rebates

**Total Assessment Rates**

2 941 403	2 603 020
2 941 403	2 603 020
(479 361)	(474 372)
<b>2 462 042</b>	<b>2 128 648</b>

2015  
R 2014  
R

**Valuations - General Valuation 1 July 2012**

**Rateable Land and Buildings**

Leeu-Gamka: Land and Buildings  
Klaarstroom: Land and Buildings  
Prince Albert: Land and Buildings  
Rural: Land and Buildings  
Welgemoed: Land and Buildings

25 280 200	25 280 200
10 229 400	10 229 400
611 919 300	611 919 300
689 091 100	689 091 100
8 809 500	8 809 500

**Total Rateable Valuation**

**1 345 329 500 1 345 329 500**

Valuations on land and buildings are performed every four years. The last interim valuation came into effect on 1 July 2014.

**Rates:**

Prince Albert Urban Area  
Leeu Gamka Scheme Houses  
Leeu Gamka Private  
Welgemoed Area  
Klaarstroom Scheme Houses  
Klaarstroom East  
Rural Area

c/R	c/R
0.370	0.340
0.370	0.340
0.370	0.340
0.330	0.306
0.370	0.340
0.370	0.340
0.093	0.0855

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**20 GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional Grants**

Equitable Share

**Conditional Grants**

Grants and donations

**Total Government Grants and Subsidies**

Government Grants and Subsidies - Capital  
Government Grants and Subsidies - Operating

2015 R	2014 R
<b>13 047 000</b>	<b>11 661 000</b>
13 047 000	11 661 000
<b>39 913 873</b>	<b>37 129 924</b>
39 913 873	37 129 924
<b>52 960 873</b>	<b>48 790 924</b>
12 745 228	20 614 065
40 215 645	28 176 859
<b>52 960 873</b>	<b>48 790 924</b>

**20.1 Equitable share**

Grants received  
Conditions met - Operating  
Conditions still to be met

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury

2015 R	2014 R
13 047 000	11 661 000
(13 047 000)	(11 661 000)
-	-

**20.2 Local Government Financial Management Grant (FMG)**

Opening balance  
Grants received  
Repaid to National Revenue Fund  
VAT on conditional grants  
Conditions met - Operating  
Conditions met - Capital  
Conditions still to be met

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

2015 R	2014 R
-	-
1 600 000	1 450 000
-	-
(69 937)	-
(1 530 063)	(1 450 000)
-	-
-	-

**20.3 Municipal Systems Improvement Grant**

Opening balance  
Grants received  
Repaid to National Revenue Fund  
VAT on conditional grants  
Conditions met - Operating  
Conditions met - Capital  
Conditions still to be met

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

2015 R	2014 R
-	-
934 000	890 000
-	-
(102 969)	-
(831 031)	(890 000)
-	-
-	-

**20.4 Municipal Infrastructure Grant (MIG)**

Opening balance  
Grants received  
VAT on conditional grants  
Conditions met - Operating  
Conditions met - Capital  
Grant expenditure to be recovered

The grant was used to upgrade infrastructure in previously disadvantaged areas.

2015 R	2014 R
(343 760)	-
7 377 000	8 125 000
(833 203)	(1 056 375)
(207 704)	(404 012)
(5 992 333)	(7 008 373)
-	(343 760)

<b>20.5</b>	<b>Housing Grants</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Opening balance	3 460 751	726 808
	Grants received	25 352 035	22 828 033
	VAT on conditional grants	(90 594)	(390 388)
	Conditions met - Operating	(20 410 376)	(9 597 333)
	Conditions met - Capital	(2 498 472)	(10 106 369)
		<hr/>	<hr/>
	Grant expenditure to be recovered	5 813 344	3 460 751
		<hr/>	<hr/>
	Housing grants were utilised for upgrading infrastructure, the development of erven and the erection of top structures.		
<b>20.6</b>	<b>Integrated National Electrification Grant</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Opening balance	-	-
	Grants received	2 000 000	-
	VAT on conditional grants	(171 557)	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(1 828 443)	-
		<hr/>	<hr/>
	Conditions still to be met	-	-
		<hr/>	<hr/>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
<b>20.7</b>	<b>Other Grants</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Opening balance	1 043 818	2 594 411
	Grants received	7 146 593	3 801 867
	VAT on conditional grants	(374 960)	-
	Conditions met - Operating	(4 189 471)	(3 468 965)
	Conditions met - Capital	(2 425 980)	(1 883 495)
		<hr/>	<hr/>
	Conditions still to be met	1 200 000	1 043 818
		<hr/>	<hr/>
	Various grants were received from other spheres of government (e.g. Library fund and Skills Development)		
<b>20.8</b>	<b>Total Grants</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Opening balance	4 160 809	3 321 219
	Grants received	57 456 628	48 755 900
	VAT on conditional grants	(1 643 220)	(1 446 763)
	Repaid to National Revenue Fund	-	-
	Conditions met - Operating	(40 215 645)	(27 471 310)
	Conditions met - Capital	(12 745 228)	(18 998 237)
		<hr/>	<hr/>
	Conditions still to be met/(Grant expenditure to be recovered)	7 013 344	4 160 809
		<hr/>	<hr/>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	7 013 344	4 504 569
	Unpaid Conditional Government Grants and Receipts	-	(343 760)
		<hr/>	<hr/>
		7 013 344	4 160 809
		<hr/>	<hr/>
	No grant funding in terms of the DORA were withheld or delayed		
<b>21</b>	<b>FINES</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Traffic fines	3 573 140	12 492 321
	Other fines	8 608	87 230
		<hr/>	<hr/>
	<b>Total Fines</b>	<b>3 581 748</b>	<b>12 579 551</b>
		<hr/>	<hr/>
	<i>Additional information to enable better understandings by user</i>		
	Provision for debt impairment	(2 964 853)	(11 500 853)
		<hr/>	<hr/>
	<i>Recoverable fines</i>	<b>616 895</b>	<b>1 078 698</b>
		<hr/>	<hr/>
<b>22</b>	<b>SERVICE CHARGES</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Electricity	11 037 491	9 127 217
	Water	4 099 179	3 076 805
	Refuse removal	1 717 896	1 457 858
	Sewerage and Sanitation Charges	2 933 382	2 473 219
		<hr/>	<hr/>
		19 787 948	16 135 099
	Less: Rebates	(2 246 731)	(2 258 822)
		<hr/>	<hr/>
	<b>Total Service Charges</b>	<b>17 541 217</b>	<b>13 876 277</b>
		<hr/>	<hr/>
	Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		

<b>23</b>	<b>OTHER INCOME</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Sundry income	106 602	32 964
	Audit fees defrayed by National Treasury	1 497 319	-
	Graveyard	12 551	11 423
	Building plans	61 158	68 324
	Photostats and Faxes	5 314	2 441
	VAT on Grant	1 643 220	-
	Fire brigade levies	27 831	-
	Tender Documents	2 851	12 632
	Training LGSETA	12 596	27 192
	Refuse Bags	375	222
	Rezoning fees	70 690	26 937
	Library Lost Books And Fines	4 026	5 376
	Valuation Certificates	13 874	8 545
	<b>Total Other Income</b>	<b>3 458 407</b>	<b>196 056</b>

Sundry income represents sale of sundry items and fees for items not included under service charges

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**EMPLOYEE RELATED COSTS**

	2015	2014
	R	R
Bonus	641 614	537 211
Contributions for UIF, pensions and medical aids	1 353 780	1 120 789
Housing Subsidy	37 860	11 311
Leave Reserve Fund	228 395	135 009
Long service awards	-	380
Increase in Provision for Bonuses	29 192	124 449
Contribution to provisions	222 749	218 201
Overtime	621 977	704 513
Salaries and Wages	9 151 928	8 912 193
Travel, motor car, telephone, assistance and other allowances	819 445	739 044
<b>Total Employee Related Costs</b>	<b>13 106 940</b>	<b>12 503 100</b>

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

	2015	2014
	R	R
<b>Remuneration of the Municipal Manager</b>		
Annual remuneration	923 235	798 141
Car allowance	104 640	104 640
Housing allowance	18 000	18 000
Cell phone allowance	18 000	18 000
Contributions to medical and pension funds	31 637	29 362
<b>Total</b>	<b>1 095 512</b>	<b>968 143</b>
<b>Remuneration of the Director Financial Services</b>		
Annual remuneration	676 878	568 637
Car allowance	96 000	96 000
Cell phone allowance	12 000	12 000
Contributions to medical and pension funds	127 795	116 575
<b>Total</b>	<b>912 673</b>	<b>793 212</b>
<b>Remuneration of the Director Corporate Services</b>		
Annual remuneration	347 093	127 083
Car allowance	25 416	10 590
Cell phone allowance	12 000	2 500
Contributions to medical and pension funds	58 274	-
<b>Total</b>	<b>442 783</b>	<b>140 173</b>

Director Corporate Services was employed February 2014

**Remuneration of the Director Technical Services**

Annual remuneration	286 563	27 758
Car allowance	60 000	3 000
Cell phone allowance	12 000	-
Contributions to medical and pension funds	61 431	18 554
<b>Total</b>	<b>419 995</b>	<b>49 312</b>

Director Technical Services was employed in June 2014

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**REMUNERATION OF COUNCILLORS**

	2015	2014
	R	R
Mayor	451 702	489 936
Deputy Mayor	202 754	214 590
Speaker	422 760	418 800
Councillors	616 866	591 316
Car Allowance	500 078	391 787
Cell phone Allowance	113 684	104 472
Contributions to medical and pension funds	102 726	98 562
<b>Total Councillors' Remuneration</b>	<b>2 410 570</b>	<b>2 309 463</b>

**In-kind Benefits**

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

**Mayor**

Annual Remuneration	451 702	394 759
Car Allowance	144 834	141 897
Cell phone Allowance	20 867	19 872
Contributions to medical and pension funds	74 736	71 712
<b>Total</b>	<b>692 139</b>	<b>628 240</b>

	2015 R	2014 R
<b>Speaker</b>		
Annual Remuneration	422 760	383 600
Car Allowance	115 415	99 968
Cell phone Allowance	20 867	19 872
Contributions to medical and pension funds		
Total	<u>559 042</u>	<u>503 440</u>
<b>Deputy Mayor</b>		
Annual Remuneration	202 754	176 208
Car Allowance	64 708	64 532
Cell phone Allowance	20 867	15 144
Contributions to medical and pension funds	27 990	26 850
Total	<u>316 319</u>	<u>282 734</u>
<b>Councillors</b>		
Annual Remuneration	616 866	547 196
Car Allowance	175 120	178 152
Cell phone Allowance	51 083	49 584
Contributions to medical and pension funds	-	-
Total	<u>843 069</u>	<u>774 932</u>

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**DEBT IMPAIRMENT**

	2015 R	2014 R
Trade Receivables from exchange transactions - Note 15	2 653 165	1 415 076
Trade Receivables from non-exchange transactions - Note 16	2 570 589	11 556 703
<b>Total Contribution to/(Reversal of) Impairment Provision</b>	<u><b>5 223 754</b></u>	<u><b>12 971 779</b></u>

*Additional information to enable better understanding by user*

Trade Receivables from exchange transactions

	2015 R	2014 R
Electricity	(59 304)	373 510
Water	1 511 764	317 772
Refuse	679 470	308 008
Sewerage	521 235	415 786
	<u><b>2 653 165</b></u>	<u><b>1 415 076</b></u>

Trade Receivables from non exchange transactions

	2015 R	2014 R
Rates	(316 939)	55 850
Traffic Fines	2 964 853	11 500 853
Other	(77 325)	-
	<u><b>2 570 589</b></u>	<u><b>11 556 703</b></u>

<b>27</b>	<b>DEPRECIATION AND AMORTISATION</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Property Plant and Equipment	1 682 558	1 862 047
	Investment Property	1 804	1 822
	Intangible Assets	15 554	21 535
	Landfill Sites	44 513	297 678
		<b>1 744 429</b>	<b>2 183 081</b>
<b>28</b>	<b>IMPAIRMENTS</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Capitalised Restoration Costs	-	458
	Investment Property	-	1 154 445
	PPE	-	2 709 988
		<b>-</b>	<b>3 864 891</b>
<b>29</b>	<b>REPAIRS AND MAINTENANCE</b>	<b>2015</b>	<b>2014</b>
		<b>R</b>	<b>R</b>
	Buildings	264 194	158 572
	Equipment, furniture and fittings and computers	376 439	169 152
	Infrastructure	245 881	182 214
	Vehicles	287 256	324 723
		<b>1 173 770</b>	<b>834 661</b>



<b>30</b>	<b>FINANCE CHARGES</b>	<b>2015 R</b>	<b>2014 R</b>
	Landfill Sites	110 411	94 373
	Finance leases	6 732	6 514
	Post Employment Health	445 178	390 430
	<b>Total finance charges</b>	<b>562 321</b>	<b>491 317</b>
<b>31</b>	<b>BULK PURCHASES</b>		
	Electricity	6 605 794	7 630 228
	<b>Total Bulk Purchases</b>	<b>6 605 794</b>	<b>7 630 228</b>
<b>32</b>	<b>CONTRACTED SERVICES</b>	<b>2015 R</b>	<b>2014 R</b>
	Engineering	206 884	404 012
	Financial, Internal Audit, Risk	2 750 440	1 718 927
	Housing construction	20 410 377	9 945 273
	IT consulting and software licencing	831 031	890 000
	Other	47 269	841 691
		<b>24 246 001</b>	<b>13 799 903</b>
<b>33</b>	<b>GENERAL EXPENSES</b>	<b>2015 R</b>	<b>2014 R</b>
	Advertisements	59 113	247 720
	Audit Fees	2 237 157	2 056 120
	Bank Charges	140 134	176 640
	Camera Fines	19 161	140 063
	Cleaning Materials	37 170	26 803
	Commission Pre-Paid Electricity	173 571	154 984
	Computer Expenses	263 835	390 352
	Community development	-	36 892
	Deed of Transfer	9 665	12 885
	Electricity	242 894	32 980
	Electricity Cost of Sales	1 813 219	1 894 178
	Entertainment Cost	32 288	31 697
	Festivals	90 573	45 387
	Fuel and Oil	491 316	627 841
	Insurance	133 180	125 684
	Legal Fees	32 695	48 308
	Licences	6 109	38 914
	Local economic development	27 512	42 615
	Machine Rental	21 026	18 667
	Material	223 739	357 476
	Membership Fees and Levies	950 582	550 000
	Office Rental CW's	7 778	6 000
	Postage	119 977	146 181
	Printing and Stationery	146 902	121 940
	Refuse Bags	62 133	52 658
	Rehabilitation Refuse Sites Expensed	4 336 048	1 173
	Remuneration Ward Committees	183 950	169 815
	Street Lights	27 829	61 996
	Sundry	171 433	203 004
	Telephone and communication costs	434 092	387 890
	Skills development levy	96 784	85 926
	Training	28 329	15 204
	Travel, Accommodation and Subsistence	1 401 512	1 105 287
	Valuation Costs	57 881	189 002
	Water Cost of Sales	67 146	109 585
	Water Purification: Chorine	58 456	31 574
	Water Research: Gouritz	16 336	18 335
	Water Research: Levy	30 384	30 895
	Workman's Compensation	88 473	70 226
	Wreath and Bouquet	963	39
	<b>General Expenses</b>	<b>14 341 345</b>	<b>9 862 936</b>
<b>34</b>	<b>DISCLOSURE IN TERMS OF MFMA 123 (1) ( c )</b>	<b>2015 R</b>	<b>2014 R</b>
	Operating grant expenditure per vote		
	Vote 1 - EXECUTIVE AND COUNCIL	-	-
	Vote 2 - DIRECTOR FINANCE	24 535 854	13 820 143
	Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-
	Vote 4 - DIRECTOR TECHNICAL SERVICES	959 102	1 572 961
		<b>25 494 956</b>	<b>15 393 104</b>

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**CORRECTION OF ERRORS IN TERMS OF GRAP 3**

	2014 Previously reported	Adjustments for errors	Reclassification	2014 Restated
<b>STATEMENT OF FINANCIAL POSITION</b>				
Accumulated Surplus/(Deficit)	80 242 742	(391 444)	(0)	79 851 298
Long-term Liabilities	47 015	(8 317)	-	38 698
Long-term Employee benefits	3 884 059	1 002 168	(89 897)	4 796 330
Non-Current Provisions	642 055	-	1 461 011	2 103 066
Consumer deposits	374 401	-	-	374 401
Current employee benefits	1 528 289	-	89 898	1 618 187
Provisions	1 461 012	-	(1 461 012)	-
Trade and other payables	5 888 747	5 514 182	0	11 402 929
Unspent Conditional Government Grants and Receipts	9 904 570	(5 743 760)	343 760	4 504 570
Unspent Conditional Public Donations	-	-	-	-
Taxes	-	-	-	-
Bank Overdraft	-	-	-	-
Current Portion of Long-term Liabilities	54 911	-	-	54 911
<b>Total Net Assets and Liabilities</b>	<b>104 027 801</b>	<b>372 829</b>	<b>343 760</b>	<b>104 744 390</b>
Property, Plant and Equipment	75 626 400	35 350	(0)	75 661 750
Investment Property	13 858 446	-	-	13 858 446
Intangible Assets	68 474	-	-	68 474
Capitalised Restoration Costs	156 822	-	-	156 822
Inventory	623 089	-	-	623 089
Trade Receivables from exchange transactions	1 924 931	-	-	1 924 931
Receivables from non-exchange transactions	91 364	362 284	2	453 650
Unpaid Conditional Government Grants and Receipts	-	-	343 760	343 760
Lease Asset	64 376	-	-	64 376
VAT Receivable	1 859 339	414 985	(439 792)	1 834 532
Cash and Cash Equivalents	9 754 560	-	(0)	9 754 560
<b>Total Assets</b>	<b>104 027 801</b>	<b>812 620</b>	<b>(96 031)</b>	<b>104 744 390</b>
<b>REVENUE</b>				
Property taxes	2 128 648	-	-	2 128 648
Government Grants and Subsidies - Capital	19 362 912	-	1 251 153	20 614 065
Government Grants and Subsidies - Operating	22 581 250	5 400 000	195 609	28 176 859
Public Contributions and Donations	1 100	-	-	1 100
Actuarial Gains	418 226	-	-	418 226
Fines	12 579 551	-	-	12 579 551
Service Charges	13 876 277	-	-	13 876 277
Rental of Facilities and Equipment	279 909	-	(0)	279 909
Interest Earned - external investments	541 928	-	(0)	541 928
Interest Earned - outstanding debtors	562 568	-	0	562 568
Licences and Permits	256 394	-	(0)	256 394
Other Income	934 383	708 435	(1 446 762)	196 056
<b>Total Revenue</b>	<b>73 523 147</b>	<b>6 108 435</b>	<b>(0)</b>	<b>79 631 581</b>
<b>EXPENDITURE</b>				
Employee related costs	13 599 262	22 610	(1 118 772)	12 503 100
Remuneration of Councillors	2 309 463	-	-	2 309 463
Debt Impairment	13 166 869	(195 089)	(0)	12 971 779
Depreciation and Amortisation	2 218 432	(35 350)	(1)	2 183 081
Impairments	3 864 891	-	-	3 864 891
Repairs and Maintenance	829 574	5 088	(0)	834 661
Actuarial losses	-	11 288	-	11 288
Finance Charges	425 284	66 033	-	491 317
Bulk Purchases	7 630 228	-	-	7 630 228
Contracted services	6 656 069	5 385 208	1 758 626	13 799 903
General Expenses	10 452 429	50 357	(639 848)	9 862 938
Profit/Loss on disposal of Property, Plant and Equipment	56 499	-	0	56 499
<b>Total Expenditure</b>	<b>61 208 998</b>	<b>5 310 144</b>	<b>5</b>	<b>66 519 148</b>
<b>NET (DEFICIT)SURPLUS FOR THE YEAR</b>	<b>12 314 148</b>	<b>798 291</b>	<b>(5)</b>	<b>13 112 433</b>

**35.1** Correction of 2013 outstanding creditors

**Debit** **Credit**

The municipality duplicated certain transactions in the balance of the 2013 creditors.

The correction entry was

Accumulated surplus	-	(160 205)
Trade creditors	160 205	-

<b>35.2</b>	<u>Expenses not included in creditors 2014</u>	<b>Debit</b>	<b>Credit</b>
	The municipality only received invoice for expenses in 2014 financial year in 2015		
	The correction entry was		
	General Expenses	50 357	-
	Repairs and maintenance	5 088	-
	Trade creditors	-	(55 445)
<b>35.3</b>	<u>Old accounts for water levy</u>		
	The municipality had an dispute with the Department of Water regarding water levy accounts. The municipality agreed to an settlement amount, but the Department of Water did not write off the old accounts.		
	The correction entry was		
	Accumulated surplus	125 580	-
	Trade creditors	-	(125 580)
<b>35.4</b>	<u>Old payment to AARTO included in income</u>	<b>Debit</b>	<b>Credit</b>
	The municipality received certain payments for AARTO that was incorrectly included in income		
	The correction entry was		
	Accumulated surplus	4 845	-
	Trade creditors	-	(4 845)
<b>35.5</b>	<u>ROE return for prior years not submitted</u>	<b>Debit</b>	<b>Credit</b>
	When submitting the ROE return for the year ended 28 February 2015 the municipality realised there was prior returns outstanding, which was submitted and paid in the current year.		
	The correction entry was		
	Accumulated surplus	111 304	-
	Trade creditors	-	(111 304)
<b>35.6</b>	<u>Correction sundry deposits</u>	<b>Debit</b>	<b>Credit</b>
	Sundry deposits that were due to be repaid in prior years were never processed		
	The correction entry was		
	Accumulated surplus	2 505	-
	Trade creditors	-	(2 505)
<b>35.7</b>	<u>Housing grant invoice dated 2014 only posted 2015</u>	<b>Debit</b>	<b>Credit</b>
	An invoice for Housing grant expenditure for the 2014 year was only processed in 2015		
	The correction entry was		
	Contracted services	5 400 000	-
	Trade creditors	-	(5 400 000)
	Operating grant income	-	(5 400 000)
	Unspent conditional grants	5 400 000	-
<b>35.8</b>	<u>Correction of old retention incorrectly provided</u>	<b>Debit</b>	<b>Credit</b>
	An entry on the retention register dating from prior periods could not be matched with retention pay-outs		
	The correction entry was		
	Accumulated surplus	-	(10 500)
	Trade creditors	10 500	-

<b>35.9</b>	<u>VAT provision on debt impairment provision included in expense</u>	<b>Debit</b>	<b>Credit</b>
	The debt impairment expenses for 2014 was posted VAT inclusive		
	The correction entry was		
	Debt impairment	-	(195 089)
	Vat Receivable	195 089	-
<b>35.10</b>	<u>VAT not claimed on MIG Grant</u>	<b>Debit</b>	<b>Credit</b>
	The full VAT was not claimed on the MIG Grant due to an deemed overspending		
	The correction entry was		
	Other income	-	(708 435)
	Other receivables	364 675	-
	Unspent conditional grants	343 760	-
<b>35.11</b>	<u>Correction on grant accounts</u>	<b>Debit</b>	<b>Credit</b>
	Expenses on grants were claimed in wrong financial year		
	The correction entry was		
	Contracted services	-	(14 792)
	Trade payables	14 792	-
<b>35.12</b>	<u>Difference between amortisation schedule and lease liability obligation</u>	<b>Debit</b>	<b>Credit</b>
	Expenses on grants were claimed in wrong financial year		
	The correction entry was		
	Accumulated surplus	-	(8 318)
	Long term liabilities	8 318	-
<b>35.13</b>	<u>Long service benefits not provided for</u>	<b>Debit</b>	<b>Credit</b>
	The municipality did not provide for provision for long service awards		
	The correction entry was		
	Accumulated surplus	873 621	-
	Employee related costs	22 610	-
	Finance charges	63 817	-
	Actuarial loss	10 565	-
	Long term employee benefits	-	(970 613)
<b>35.14</b>	<u>Ex-Gratia not provided for</u>	<b>Debit</b>	<b>Credit</b>
	The municipality did not provide for provision for ex gratia awards		
	The correction entry was		
	Accumulated surplus	28 616	-
	Finance charges	2 216	-
	Actuarial loss	723	-
	Long term employee benefits	-	(31 555)
<b>35.15</b>	<u>Correction of sundry debtors</u>	<b>Debit</b>	<b>Credit</b>
	Sundry debtors that have prescribed in prior periods		
	The correction entry was		
	Accumulated surplus	2 390	-
	Long term employee benefits	-	(2 390)

35.16	<u>Correction of VAT opening Balance</u>	<b>Debit</b>	<b>Credit</b>
	Opening balance incorrectly disclosed		
	Accumulated surplus	-	219 896
	VAT control Account	(219 896)	-
35.17	<u>Correction of Disposal on PPE</u>		
	Opening balance incorrectly disclosed		
	Accumulated surplus	-	35 350
	Loss on Disposal of PPE	(35 350)	-
36	<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>	<b>2015 R</b>	<b>2014 R</b>
	(Deficit) / Surplus for the year	13 083 442	13 112 433
	<u>Adjustments for:</u>		
	Depreciation	1 728 875	2 196 898
	Amortisation of Intangible Assets	15 554	21 535
	Loss on disposal of PPE	108 386	56 499
	Contribution to provisions	5 766 777	98 637
	Debt impairment	5 223 754	12 971 779
	Impairment written off	-	3 864 891
	Operating lease income accrued	9 507	(8 218)
	Operating (Deficit)/Surplus before changes in working capital	25 936 295	32 314 454
	Changes in working capital	(10 262 282)	(4 608 328)
	(Decrease)/Increase in Trade and Other Payables	(8 269 798)	9 265 049
	(Decrease) in Unspent Conditional Government Grants and Receipts	2 508 774	1 183 351
	Increase/(Decrease) in Taxes	924 958	(1 614 904)
	(Increase) in Inventory	(84 662)	(78 250)
	(Increase)/Decrease in Gross Debtors from exchange and non exchange	(5 795 355)	(13 203 119)
	(Decrease)/Increase in Employee benefits	110 041	183 305
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	343 760	(343 760)
	<b>Cash (absorbed)/generated by operations</b>	<b>15 674 013</b>	<b>27 706 126</b>
37	<b>CASH AND CASH EQUIVALENTS</b>	<b>2015 R</b>	<b>2014 R</b>
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 18	10 980 159	9 338 985
	Cash Floats - Note 18	1 700	1 700
	Bank - Note 18	558 475	54 221
	<b>Total cash and cash equivalents</b>	<b>11 540 334</b>	<b>9 394 906</b>
38	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>	<b>2015 R</b>	<b>2014 R</b>
	Cash and Cash Equivalents - Note 37	11 540 334	9 394 906
	Less:	11 540 334	9 394 906
	Unspent Committed Conditional Grants - Note 8	7 013 344	4 504 570
	<b>Resources available for working capital requirements</b>	<b>4 526 990</b>	<b>4 890 336</b>
39	<b>UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>	<b>2015 R</b>	<b>2014 R</b>
	Long-term Liabilities - Note 2	74 943	93 609
	Used to finance property, plant and equipment - at cost	(74 943)	(93 609)
		-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.			

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

	2015 R	2014 R
Opening balance	48 192 901	24 230 236
Unauthorised expenditure current year - capital	-	6 090 033
Unauthorised expenditure current year - operating	75 109	17 362 969
Unauthorised expenditure current year - Unspent grants utilised to fund operating expenditure	-	509 664
Written off by council	-	-
Unauthorised expenditure awaiting authorisation	<u>48 268 010</u>	<u>48 192 901</u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget	None

	2015 R (Actual)	2015 R (Budget)	2015 R (Unauthorised)
<b>Unauthorised expenditure current year - operating</b>			
Vote 1 - EXECUTIVE AND COUNCIL	4 972 727	4 897 618	75 109
Vote 2 - DIRECTOR FINANCE	30 553 494	32 078 433	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	5 924 602	6 087 322	-
Vote 4 - DIRECTOR TECHNICAL SERVICES	29 870 110	31 998 201	-
	<u>71 320 933</u>	<u>75 061 574</u>	<u>75 109</u>

	2015 R (Actual)	2015 R (Budget)	2015 R (Unauthorised)
<b>Unauthorised expenditure current year - capital</b>			
Vote 2 - DIRECTOR FINANCE	-	250 153	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	1 760 781	19 000 000	-
Vote 4 - DIRECTOR TECHNICAL SERVICES	10 952 710	14 671 368	-
	<u>12 713 491</u>	<u>33 921 521</u>	<u>-</u>

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

	2015 R	2014 R
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	137 240
Written off by council	-	(137 240)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	<u>-</u>	<u>-</u>

40.3 Irregular expenditure

	2015 R	2014 R
Opening balance	7 016 090	7 016 090
Irregular expenditure current year	7 990 065	-
Written off by council	(7 990 065)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	<u>7 016 090</u>	<u>7 016 090</u>

Incident	Disciplinary steps/criminal proceedings
Non compliance with SCM during 2015	None

40.4 Material Losses

**Water distribution losses**

	2015 R	2014 R
- Kilo litres disinfected/purified/purchased	486 945	525 678
- Kilo litres lost during distribution	42 364	43 392
- Percentage lost during distribution	8.70%	8.25%
- Value of distribution losses	R 98 441	R 198 735

**Electricity distribution losses**

	2015 R	2014 R
- Units purchased (Kwh)	10 761 168	10 570 777
- Units lost during distribution (Kwh)	888 682	1 859 766
- Percentage lost during distribution	8.26%	17.59%
- Value of distribution losses	R 663 796	R 1 670 256

41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

41.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

	2015 R	2014 R
Opening balance	250 000	100 000
Council subscriptions	500 000	450 000
Amount paid - current year	(750 000)	(300 000)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>250 000</b>

41.2 Audit fees - [MFMA 125 (1)(b)]

	2015 R	2014 R
Opening balance	-	-
Current year audit fee	2 539 972	2 056 120
External Audit - Auditor-General	2 539 972	2 056 120
Amount paid - current year	(2 237 157)	(2 056 120)
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>302 815</b>	<b>-</b>

41.3 VAT - [MFMA 125 (1)(b)]

	2015 R	2014 R
Opening balance	1 678 116	458 903
VAT inputs	3 382 844	1 757 402
VAT outputs	(2 173 310)	(326 382)
Paid	-	247 096
Received	(2 408 630)	(458 903)
<b>Closing balance - Receivable</b>	<b>479 020</b>	<b>1 678 116</b>
 Vat control account	 <b>479 020</b>	 <b>1 678 116</b>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]

	2015 R	2014 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 401 365	2 023 300
Amount paid - current year	(2 401 365)	(2 023 300)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]

	2015 R	2014 R
Opening balance	-	-
Current year payroll deductions and Council Contributions	2 080 299	1 916 874
Amount paid - current year	(2 080 299)	(1 916 874)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2015:

	Outstanding	Outstanding
	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>-</b>	<b>-</b>

Councillor Windvogel was in arrears for more than 90 days during the year under review, but has settled his account

**41.7 Non-compliance with the Municipal Finance Management Act**

Deviations of the Supply Chain Management Regulations were identified on the following categories:

	Sole Supplier	Emergency	Other	Total
Deviations from SCM	652 434	85 575	475 700	1 213 709

The SCM deviations were noted by Council at it's monthly meetings held.

The council on one occasion submitted the section 71 report late namely: October 2014

**42 CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

2015 R	2014 R
6 483 982	9 901 464

Total commitments consist out of the following:

Infrastructure and Sports Fields	6 483 982	1 040 713
Leeu Gamka Housing	-	8 860 751
	<b>6 483 982</b>	<b>9 901 464</b>

This expenditure will be financed from:

Government Grants	6 483 982	9 901 464
	<b>6 483 982</b>	<b>9 901 464</b>

2015 R	2014 R
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**43 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:



1% (2012 - 0.5%) Increase in interest rates	114 637	51 382
0.5% (2012 - 0.5%) Decrease in interest rates	(57 318)	(25 691)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 15 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

Exchange Debtors

Electricity	5.10%	457 556	6.40%	415 247
Water	2.17%	194 284	3.24%	210 104
Refuse	1.36%	121 806	1.79%	116 404
Sewerage	0.94%	83 971	4.28%	278 109
Other	0.16%	14 073	0.48%	30 866
	<u>9.72%</u>	<u>871 690</u>	<u>16.18%</u>	<u>1 050 730</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2015 %	2015 R	2014 %	2014 R
<u>Exchange Debtors</u>				
Electricity	4.79%	429 438	9.30%	603 697
Water	44.48%	3 991 221	39.04%	2 534 507
Refuse	23.62%	2 119 378	21.15%	1 372 889
Sewerage	25.38%	2 277 553	26.63%	1 729 055
Other	1.72%	154 628	0.50%	252 387
	<u>100.00%</u>	<u>8 972 217</u>	<u>100%</u>	<u>6 492 536</u>

The provision for bad debts could be allocated between the different categories of debtors as follows:

Government	2.31%	207 486	0.00%	-
Commercial	2.70%	241 973	1.89%	123 003
Municipal	0.00%	-	0.00%	-
Residential	94.40%	8 469 541	97.31%	6 317 951
Other	0.59%	53 217	0.79%	51 582
	<u>100.00%</u>	<u>8 972 217</u>	<u>100%</u>	<u>6 492 536</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2015 R	2014 R
Financial assets exposed to credit risk at year end are as follows:		
Trade receivables and other receivables	2 950 182	2 378 581
Cash and Cash Equivalents	11 540 334	9 754 560
Unpaid conditional grants and subsidies	-	343 760
	<u>14 490 516</u>	<u>12 476 901</u>

**(e) Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2015</b>				
Non-Current Provisions	-	3 664 161	-	35 219 382
Capital repayments	-	3 142 738	-	4 727 105
Interest	-	521 423	-	30 492 276
Long Term liabilities	65 102	17 557	-	-
Capital repayments	60 984	13 959	-	-
Interest	4 118	3 598	-	-
Trade and Other Payables	3 133 131	-	-	-
Unspent conditional government grants and receipts	7 013 344	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>10 211 577</u>	<u>3 681 718</u>	<u>-</u>	<u>35 219 382</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Non-Current Provisions	-	-	-	2 103 066
Capital repayments	-	-	-	2 103 066
Interest	-	-	-	-
Long Term liabilities	37 863	32 940	-	-
Capital repayments	44 434	38 698	-	-
Interest	6 571	5 758	-	-
Trade and Other Payables	11 402 929	-	-	-
Unspent conditional government grants and receipts	4 504 570	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>15 945 362</u>	<u>32 940</u>	<u>-</u>	<u>2 103 066</u>

		2015 R	2014 R	
44	<b>FINANCIAL INSTRUMENTS</b>			
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows The fair value of financial instruments approximates the amortised costs as reflected below.			
44.1	<b><u>Financial Assets</u></b>			
	<b><u>Classification</u></b>			
	<b>Consumer Debtors</b>			
	Trade receivables from exchange transactions	Financial instruments at amortised cost	1 792 053	1 924 931
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial instruments at amortised cost	10 980 159	9 338 985
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial instruments at amortised cost	558 475	413 875
	Cash Floats and Advances	Financial instruments at amortised cost	1 700	1 700
			<b>13 332 387</b>	<b>11 679 491</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost		13 332 387	11 679 491
	<b>At amortised cost</b>		<b>13 332 387</b>	<b>11 679 491</b>
	<b>FINANCIAL INSTRUMENTS (CONTINUE)</b>			
44.2	<b><u>Financial Liability</u></b>			
	<b><u>Classification</u></b>			
	<b>Long-term Liabilities</b>			
	Capitalised Lease Liability	Financial instruments at amortised cost	13 959	38 698
	<b>Trade Payables</b>			
	Trade creditors	Financial instruments at amortised cost	2 223 619	10 300 300
	Debtors with credit balances		376 529	460 607
	Retentions	Financial instruments at amortised cost	528 983	638 022
	Deposits	Financial instruments at amortised cost	4 000	4 000
	Other	Financial instruments at amortised cost		
	<b>Current Portion of Long-term Liabilities</b>			
	Capitalised Lease Liability	Financial instruments at amortised cost	60 984	54 911
			<b>3 208 074</b>	<b>11 496 537</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost		<b>3 208 074</b>	<b>11 496 537</b>
45	<b>STATUTORY RECEIVABLES</b>			
	<b>Taxes</b>			
	VAT receivable		<b>909 574</b>	<b>1 834 532</b>
	<b>Other receivables for non exchange transactions</b>			
	Rates		588 218	583 337
	Traffic fines		7 262 271	11 538 891
			<b>7 850 489</b>	<b>12 122 228</b>
46	<b>EVENTS AFTER THE REPORTING DATE</b>			
	The municipality has no events after reporting date during the financial year ended 2014/2015.			
47	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The municipality did not receive any in-kind donations or assistance during the year under review.			
48	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			

**49 CONTINGENT LIABILITY**

**Schedule of contingent liabilities**

The municipality are not aware of any current claims against the municipality

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**50 RELATED PARTIES**

**50.1 Related Parties**

Councillors

G. Lottering	Mayor
N.D. Jaftha	Speaker
N.S. Abrahams	Deputy Mayor
I.J. Windvogel	Councillor
L. Jaquet	Councillor
S. Botes	Councillor
C. Stols	Councillor

Key Management

H.F.W. Mettler	Municipal Manager
J.D. Neethling	Chief Financial Officer
A. Vorster	Director Corporate / Community Services
J. Lesch	Director Technical Services

**50.2 Related Party Transactions**

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related

**50.3 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**50.4 Compensation of key management personnel**

The compensation of key management personnel is set out in note 24 to the Annual Financial Statements.

**50.5 Other related party transactions**

The following purchases were made during the year where Councillors or staff have an interest:

None

**APPENDIX A - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Redeemable</b>	<b>Balance at 30 JUNE 2014</b>	<b>Balance at 30 JUNE 2014 Restated</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 JUNE 2015</b>
<b>ANNUITY LOANS</b>							
					-		-
<b>Total Annuity Loans</b>			-	-	-	-	-
<b>LEASE LIABILITY</b>							
7 Tablets - old			10 885	4 745		4 745	0
7 Tablets - new					49 445	13 199	36 246
Minolta B283			21 483	21 416		10 008	11 408
Minolta B501			43 505	41 395		19 321	22 074
Minolta C280			25 263	25 263		20 048	5 215
Minolta B250			790	790		790	0
<b>TOTAL EXTERNAL LOANS</b>			<b>101 927</b>	<b>93 609</b>	<b>49 445</b>	<b>68 110</b>	<b>74 944</b>

**APPENDIX B - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2014	Correction of error	Balance 30 JUNE 2014	Grants Received	Capital Expenditure during the year Transferred to Revenue	Operating Expenditure during the year Transferred to Revenue	VAT Recognised	Balance 30 June 2015
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
<b><u>National Government Grants</u></b>								
Equitable Share	-	-	-	13 047 000	-	13 047 000	-	-
Local Government Financial Management Grant	-	-	-	1 600 000	-	1 530 063	69 937	-
Municipal Infrastructure Grant	-	-	(343 760)	7 377 000	5 992 333	207 704	833 203	-
Municipal Systems Improvement Grant	-	-	-	934 000	-	831 031	102 969	-
Public Transport Infrastructure	-	-	-	-	-	-	-	-
EPWP	-	-	-	1 000 000	-	1 000 000	-	-
DWA Accelerated Community Infrastructure Programme	-	-	-	2 761 232	2 425 980	-	335 252	-
Integrated National Electrification Program	-	-	-	2 000 000	1 828 443	-	171 557	-
<b>Total National Government Grants</b>	-	-	(343 760)	28 719 232	10 246 756	16 615 798	1 512 918	-
<b><u>Provincial Government Grants</u></b>								
Sport & Recreation	-	-	200 000	-	-	200 000	-	-
Financial Management Improvement Grant	840 713	-	840 713	300 000	-	1 101 005	39 708	-
CDW	-	-	-	69 952	-	69 952	-	-
Thusong Centre	3 105	-	3 105	222 000	-	225 105	-	-
Roads Maintenance	-	-	-	24 709	-	24 709	-	-
Housing Beneficiaries	8 860 751	(8 133 943)	726 808	22 352 035	1 760 781	20 410 376	-	907 686
Accelerated housing	-	2 733 943	2 733 943	3 000 000	737 691	-	90 594	4 905 658
Infrastructure support grant	-	-	-	1 200 000	-	-	-	1 200 000
Performance management grant	-	-	-	150 000	-	150 000	-	-
Ignite Compliance Model	-	-	-	47 000	-	47 000	-	-
Library Grant	-	-	-	1 123 000	-	1 123 000	-	-
<b>Total Provincial Government Grants</b>	9 704 569	(5 400 000)	4 504 569	28 488 696	2 498 472	23 351 147	130 302	7 013 344
<b><u>Other Grant Providers</u></b>								
EPWP District Mun.	-	-	-	248 700	-	248 700	-	-
<b>Total Other Grant Providers</b>	-	-	-	248 700	-	248 700	-	-
<b>Total</b>	<b>9 704 569</b>	<b>(5 400 000)</b>	<b>4 160 809</b>	<b>57 456 628</b>	<b>12 745 228</b>	<b>40 215 645</b>	<b>1 643 220</b>	<b>7 013 344</b>

**APPENDIX C(1) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Revenue - Standard</b>								
<i>Governance and administration</i>	38 966	31 779	70 745	50 787	(19 958)	71.8%	130.3%	44 583
Executive and council	1 903	(50)	1 853	1 853	—	100.0%	97.4%	1 798
Budget and treasury office	36 235	31 839	68 074	48 088	(19 986)	70.6%	132.7%	41 795
Corporate services	828	(10)	818	846	28	103.4%	102.2%	991
<i>Community and public safety</i>	6 407	4 620	11 027	6 106	(4 921)	55.4%	95.3%	14 383
Community and social services	1 919	(220)	1 699	1 702	3	100.2%	88.7%	1 014
Sport and recreation	283	—	283	283	—	100.0%	100.0%	283
Public safety	4 205	4 840	9 045	4 122	(4 923)	45.6%	98.0%	13 087
Housing	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	1 712	—	1 712	1 672	(40)	97.7%	97.7%	1 024
Planning and development	200	—	200	200	—	100.0%	100.0%	200
Road transport	1 512	—	1 512	1 472	(40)	97.3%	97.3%	824
Environmental protection	—	—	—	—	—	—	—	—
<i>Trading services</i>	22 402	3 100	25 502	25 840	337	101.3%	115.3%	21 521
Electricity	13 292	582	13 874	14 056	182	101.3%	105.7%	11 661
Water	3 899	743	4 642	5 319	677	114.6%	136.4%	4 377
Waste water management	3 261	1 079	4 340	3 768	(572)	86.8%	115.5%	3 050
Waste management	1 950	697	2 646	2 696	50	101.9%	138.3%	2 433
<i>Other</i>	—	—	—	—	—	—	—	—
<b>Total Revenue - Standard</b>	<b>69 487</b>	<b>39 499</b>	<b>108 986</b>	<b>84 404</b>	<b>(24 582)</b>	<b>77.4%</b>	<b>121.5%</b>	<b>81 512</b>
<b>Expenditure - Standard</b>								
<i>Governance and administration</i>	27 189	13 147	40 337	38 942	(1 395)	96.5%	143.2%	31 339
Executive and council	4 568	330	4 898	4 973	75	101.5%	108.9%	4 595
Budget and treasury office	19 462	12 616	32 078	30 553	(1 525)	95.2%	157.0%	23 589
Corporate services	3 160	201	3 361	3 416	55	101.6%	108.1%	3 155
<i>Community and public safety</i>	5 236	6 376	11 612	6 448	(5 164)	55.5%	123.1%	14 469
Community and social services	2 177	(161)	2 016	1 815	(201)	90.0%	83.4%	1 083
Sport and recreation	287	22	309	321	12	103.9%	111.8%	378
Public safety	2 772	6 515	9 287	4 312	(4 975)	46.4%	155.5%	13 008
Housing	—	—	—	—	—	—	—	—
Health	—	—	—	—	—	—	—	—
<i>Economic and environmental services</i>	3 773	947	4 720	4 253	(468)	90.1%	112.7%	4 349
Planning and development	435	(28)	407	382	(24)	94.0%	88.0%	432
Road transport	3 338	975	4 314	3 870	(443)	89.7%	115.9%	3 917
Environmental protection	—	—	—	—	—	—	—	—
<i>Trading services</i>	16 167	2 226	18 393	21 678	3 286	117.9%	134.1%	18 242
Electricity	10 376	354	10 730	9 603	(1 128)	89.5%	92.5%	11 380
Water	1 514	921	2 435	3 467	1 032	142.4%	229.0%	2 317
Waste water management	2 611	594	3 205	2 095	(1 109)	65.4%	80.3%	2 393
Waste management	1 665	357	2 022	6 512	4 490	322.1%	391.1%	2 152
<i>Other</i>	—	—	—	—	—	—	—	—
<b>Total Expenditure - Standard</b>	<b>52 365</b>	<b>22 696</b>	<b>75 062</b>	<b>71 321</b>	<b>(3 741)</b>	<b>95.0%</b>	<b>136.2%</b>	<b>68 399</b>
<b>Surplus/(Deficit) for the year</b>	<b>17 122</b>	<b>16 803</b>	<b>33 925</b>	<b>13 083</b>	<b>(20 841)</b>	<b>38.6%</b>	<b>76.4%</b>	<b>13 112</b>

**APPENDIX C(2) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue by Vote</b>								
Vote 1 - EXECUTIVE AND COUNCIL	1 903	(50)	1 853	1 853	—	100.0%	97.4%	1 798
Vote 2 - DIRECTOR FINANCE	36 235	31 839	68 074	48 088	(19 986)	70.6%	132.7%	41 795
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	2 947	(225)	2 722	2 776	54	102.0%	94.2%	2 204
Vote 4 - DIRECTOR TECHNICAL SERVICES	28 402	7 935	36 337	31 687	(4 650)	87.2%	111.6%	35 715
<b>Total Revenue by Vote</b>	<b>69 487</b>	<b>39 499</b>	<b>108 986</b>	<b>84 404</b>	<b>(24 582)</b>	<b>77.4%</b>	<b>121.5%</b>	<b>81 512</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - EXECUTIVE AND COUNCIL	4 568	330	4 898	4 973	75	101.5%	108.9%	4 595
Vote 2 - DIRECTOR FINANCE	19 462	12 616	32 078	30 553	(1 525)	95.2%	157.0%	23 589
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	5 771	316	6 087	5 925	(163)	97.3%	102.7%	4 946
Vote 4 - DIRECTOR TECHNICAL SERVICES	22 564	9 434	31 998	29 870	(2 128)	93.3%	132.4%	35 269
<b>Total Expenditure by Vote</b>	<b>52 365</b>	<b>22 696</b>	<b>75 062</b>	<b>71 321</b>	<b>(3 741)</b>	<b>95.0%</b>	<b>136.2%</b>	<b>68 399</b>
<b>Surplus/(Deficit) for the year</b>	<b>17 122</b>	<b>16 803</b>	<b>33 925</b>	<b>13 083</b>	<b>(20 841)</b>	<b>38.6%</b>	<b>76.4%</b>	<b>13 112</b>



**APPENDIX C(3) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**REVENUE AND EXPENDITURE**

Description  R thousand	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Revenue By Source</b>								
Property rates	2 419	—	2 419	2 462	43	101.8%	101.8%	2 129
Service charges	15 571	(1 618)	13 953	17 541	3 588	125.7%	112.7%	13 876
Rental of facilities and equipment	327	—	327	273	(54)	83.6%	83.6%	280
Interest earned - external investments	360	340	700	812	112	116.1%	225.7%	542
Interest earned - outstanding debtors	500	100	600	711	111	118.5%	142.2%	563
Fines	2 683	4 840	7 523	3 582	(3 941)	47.6%	133.5%	12 580
Licences and permits	1 200	—	1 200	261	(939)	21.8%	21.8%	256
Transfers recognised - operating	29 204	10 612	39 816	40 216	399	101.0%	137.7%	28 177
Other revenue	215	1 006	1 221	4 010	2 789	328.4%	1862.6%	615
Gains on disposal of PPE	—	—	—	—	—	—	—	—
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>52 479</b>	<b>15 280</b>	<b>67 759</b>	<b>69 869</b>	<b>2 110</b>	<b>443.4%</b>	<b>133.1%</b>	<b>59 018</b>
<b>Expenditure By Type</b>								
Employee related costs	13 144	(609)	12 534	13 107	572	104.6%	99.7%	12 503
Remuneration of councillors	2 450	—	2 450	2 411	(39)	98.4%	98.4%	2 309
Debt impairment	2 100	—	2 100	5 224	3 124	248.8%	248.8%	12 972
Depreciation & asset impairment	1 705	—	1 705	1 744	39	102.3%	102.3%	6 048
Finance charges	337	—	337	562	225	166.7%	166.7%	491
Bulk purchases	9 000	(1 900)	7 100	6 606	(494)	93.0%	73.4%	7 630
Other materials	—	—	—	—	—	—	—	—
Contracted services	—	—	—	24 246	24 246	#DIV/0!	#DIV/0!	13 800
Transfers and grants	—	—	—	—	—	—	—	—
General Expenses	23 629	21 172	44 801	15 523	(29 279)	34.6%	65.7%	10 709
Loss on disposal of PPE	—	—	—	108	108	#DIV/0!	#DIV/0!	56
<b>Total Expenditure</b>	<b>52 365</b>	<b>18 663</b>	<b>71 028</b>	<b>69 531</b>	<b>(1 497)</b>	<b>380.6%</b>	<b>132.8%</b>	<b>66 519</b>
<b>Surplus/(Deficit)</b>	<b>114</b>	<b>(3 383)</b>	<b>(3 269)</b>	<b>338</b>	<b>3 607</b>	<b>-10.3%</b>	<b>297.3%</b>	<b>(7 502)</b>
Transfers recognised - capital	17 008	19 330	36 338	12 745	(23 593)	35.1%	74.9%	20 614
Contributions recognised - capital	—	—	—	—	—	—	—	—
Contributed assets	—	—	—	—	—	—	—	—
<b>Surplus/(Deficit) for the year</b>	<b>17 122</b>	<b>15 947</b>	<b>33 069</b>	<b>13 083</b>	<b>(19 985)</b>	<b>39.6%</b>	<b>76.4%</b>	<b>13 112</b>

**APPENDIX C(4) - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description R thousand	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>Capital expenditure - Vote</b>					-	-	-	
<b>Multi-year expenditure</b>					-	-	-	
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-
Vote 2 - DIRECTOR FINANCE	-	-	-	-	-	-	-	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	-	-	-	-	-	-	-	-
Vote 4 - DIRECTOR TECHNICAL SERVICES	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>	-	-	-	-	-	-	-	-
<b>Single-year expenditure</b>								
Vote 1 - EXECUTIVE AND COUNCIL	-	-	-	-	-	-	-	-
Vote 2 - DIRECTOR FINANCE	-	-	-	-	-	-	-	-
Vote 3 - DIRECTOR PLANNING AND DEVELOPMENT	10 000	9 000	19 000	1 761	(17 239)	9.3%	17.6%	297
Vote 4 - DIRECTOR TECHNICAL SERVICES	7 918	8 369	16 287	10 953	(5 335)	67.2%	138.3%	20 108
<b>Capital single-year expenditure</b>	<b>17 918</b>	<b>17 369</b>	<b>35 287</b>	<b>12 713</b>	<b>(22 574)</b>	<b>36%</b>	<b>71%</b>	<b>20 405</b>
<b>Total Capital Expenditure - Vote</b>	<b>17 918</b>	<b>17 369</b>	<b>35 287</b>	<b>12 713</b>	<b>(22 574)</b>	<b>36%</b>	<b>71%</b>	<b>20 405</b>
<b>Capital Expenditure - Standard</b>					-	-	-	
<b>Governance and administration</b>	-	-	-	-	-	-	-	27
Executive and council	-	-	-	-	-	-	-	17
Budget and treasury office	-	-	-	-	-	-	-	-
Corporate services	-	-	-	-	-	-	-	10
<b>Community and public safety</b>	<b>12 214</b>	<b>8 775</b>	<b>20 988</b>	<b>3 612</b>	<b>(17 376)</b>	<b>17.2%</b>	<b>29.6%</b>	<b>264</b>
Community and social services	-	-	-	-	-	-	-	264
Sport and recreation	2 214	(225)	1 988	1 852	(137)	93.1%	83.6%	-
Public safety	-	-	-	-	-	-	-	-
Housing	10 000	9 000	19 000	1 761	(17 239)	9.3%	17.6%	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>1 650</b>	<b>(234)</b>	<b>1 416</b>	<b>99</b>	<b>(1 317)</b>	<b>7.0%</b>	<b>6.0%</b>	<b>9 470</b>
Planning and development	-	-	-	-	-	-	-	-
Road transport	1 650	(234)	1 416	99	(1 317)	7.0%	6.0%	9 470
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>3 144</b>	<b>9 739</b>	<b>12 883</b>	<b>9 002</b>	<b>(3 881)</b>	<b>69.9%</b>	<b>286.3%</b>	<b>10 644</b>
Electricity	-	1 632	1 632	1 713	81	105.0%	#DIV/0!	6
Water	2 944	2 623	5 567	6 620	1 054	118.9%	224.9%	6 178
Waste water management	150	5 442	5 592	668	(4 924)	12.0%	445.6%	4 460
Waste management	50	42	92	-	(92)	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Capital Expenditure - Standard</b>	<b>17 008</b>	<b>18 279</b>	<b>35 287</b>	<b>12 713</b>	<b>(22 574)</b>	<b>36%</b>	<b>75%</b>	<b>20 405</b>
<b>Funded by:</b>					-	-	-	
National Government	7 008	4 887	11 895	10 247	(1 648)	86.1%	146.2%	9 257
Provincial Government	10 000	13 292	23 292	2 498	(20 794)	10.7%	25.0%	10 989
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>17 008</b>	<b>18 179</b>	<b>35 187</b>	<b>12 745</b>	<b>(22 442)</b>	<b>36%</b>	<b>75%</b>	<b>20 245</b>
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-
Internally generated funds	-	100	100	(32)	(132)	-31.7%	#DIV/0!	160
<b>Total Capital Funding</b>	<b>17 008</b>	<b>18 279</b>	<b>35 287</b>	<b>12 713</b>	<b>(22 574)</b>	<b>36%</b>	<b>75%</b>	<b>20 405</b>

**APPENDIX G - Unaudited**  
**PRINCE ALBERT LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**CASH FLOWS**

Description  R thousand	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>					-	-	-	
Ratepayers and other	19 455	(987)	18 468	26 112	7 644	141.4%	134.2%	15 758
Government - operating	29 093	(4 597)	24 496	40 216	15 720	164.2%	138.2%	28 177
Government - capital	17 008	7 010	24 018	12 745	(11 273)	53.1%	74.9%	20 614
Interest	360	480	840	1 523	683	181.4%	423.2%	1 104
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Suppliers and employees	(46 517)	3 884	(42 633)	(64 360)	(21 727)	151.0%	138.4%	(37 456)
Finance charges	(337)	(21)	(358)	(562)	(204)	156.9%	166.7%	(491)
Transfers and Grants	-	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>19 061</b>	<b>5 769</b>	<b>24 830</b>	<b>15 674</b>	<b>(9 156)</b>	<b>63.1%</b>	<b>82.2%</b>	<b>27 706</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					(18 313)	-	-	
Proceeds on disposal of PPE	-	-	-	-	-	-	-	53
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Capital assets	(17 008)	(17 313)	(34 321)	(13 888)	20 434	40.5%	81.7%	(20 444)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(17 008)</b>	<b>(17 313)</b>	<b>(34 321)</b>	<b>(13 888)</b>	<b>20 434</b>	<b>40.5%</b>	<b>81.7%</b>	<b>(20 391)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	49	49	#DIV/0!	#DIV/0!	-
Increase (decrease) in consumer deposits	22	15	37	20	(17)	55.0%	93.0%	22
<b>Payments</b>					40 900	-	-	
Repayment of borrowing	(61)	-	(61)	(68)	(7)	111.6%	111.6%	(76)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(39)</b>	<b>15</b>	<b>(24)</b>	<b>2</b>	<b>26</b>	<b>-6.8%</b>	<b>-4.2%</b>	<b>(54)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2 014</b>	<b>(11 529)</b>	<b>(9 515)</b>	<b>1 788</b>	<b>11 303</b>	<b>-18.8%</b>	<b>88.8%</b>	<b>7 262</b>
Cash/cash equivalents at the year begin:	3 241	6 513	9 755	9 755	(0)	100.0%	300.9%	2 493
Cash/cash equivalents at the year end:	5 256	(5 016)	240	11 540	11 329	4818.2%	219.6%	9 755